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TAX PRACTICE GUIDES

and

CHECKLISTS

AICPA TAX DIVISION

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NOTICE TO READERS

Tax practice guides are designed as educational and reference material for the members of the Tax Division and others interested in the subject. They do not establish standards or preferred practices.

Although much thought and effort have gone into the development of these guides, they are subject to change. Many of the regulations related to prior tax acts had not been issued nor had any 1992 tax legislation been signed into law at the time the guides were finalized. These checklists need to be revised as new developments occur.

Accordingly, these practice guides are issued as drafts only, and you retain responsibility for their final content. Please review them carefully and make any changes necessary for your particular use.

The flowchart on the new estimated tax rules included herein was prepared by Julie Runtz (AICPA Small Business Taxation Committee), Dianne Shangold (AICPA Individual Taxation Committee), and Joseph Schneid (Manager, AICPA Tax Division staff).

Members of the 1991-1992 AICPA Tax Practice Guides Committee prepared these practice guides. The members of that committee are listed below:

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PREFACE

Enclosed are the 1992 tax practice guides prepared by the Tax Practice Guides Committee of the AICPA Tax Division. If you are a Tax Division member, these practice guides were sent to you as part of your basic membership benefit package.

If you are not a member of the Division, you may wish to join in order to expedite receipt of these checklists and to take advantage of the many benefits of Division membership. The price of the checklists to non-members is \$65. For an additional \$20, you can receive supplemental practice guides, The Tax Adviser magazine, and other publications, as well as additional membership benefits. Please contact the Tax Division if you would like information on membership.

The Committee hopes these practice guides will be helpful to you and solicits your comments for their improvement. Please send comments and suggestions to James Clark using the following address:

American Institute of CPAs
Tax Division
1211 Avenue of the Americas
New York, NY 10109-0004

Attn: James Clark

A blank, preaddressed comment sheet with return postage is included for your use. To mail, fold the sheet with the address showing on the back of the form, tape and place in mail.

1992 TAX PRACTICE GUIDES AND CHECKLISTS

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TAX RETURN ORGANIZERS

These tax organizers have been designed to assist in compiling the information needed to prepare the respective returns. The following pages contain many of the common income items, expenses, deductions and credits as well as questions that determine the proper handling of these items.

The organizer can be completed by the client or staff that is working on accounting or audit areas.

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

Organization Name _____ Tax Period _____

Address _____ Federal ID# _____

_____ State ID# _____

Provide a general ledger, trial balance, depreciation schedules, balance sheet, and statement of receipts and expenses. 501(c)(3), (c)(4) organizations and 4947(a)(1) trusts categorize expenses as to program services, management/general, and fund raising. In addition, the following information will be needed:

	<u>DONE</u>	<u>N/A</u>
1. Attach information about any activities new to the organization which require IRS notification.	_____	_____
2. Attach copies of any changes to the governing documents or information related to a change in organization structure.	_____	_____
3. Provide a list of names of any related organizations and indicate whether they are exempt.	_____	_____
4. List the states with which a copy of this return is to be filed.	_____	_____
5. Provide a list of qualified plans for which the organization requires assistance in filing Forms 5500.	_____	_____
6. Attach copies of all forms 1099, 940, 941, 5500, and W-2 filed for the tax year.	_____	_____
7. Attach copies of any change notices received from the IRS.	_____	_____
8. Attach a list of "in-kind" contributions and indicate whether they are included in income.	_____	_____
9. For each area of program service revenue, attach an explanation of how the activity contributes to the organization's exempt purpose.	_____	_____
10. Attach information related to the income and expenses from unrelated business income (UBTI).	_____	_____
11. Attach copies of all K-1's received.	_____	_____
12. Attach a schedule of donors who gave property with a value of at least \$5,000.	_____	_____
13. Attach a list of the three largest fund raising events, describe the event and indicate the amount raised.	_____	_____

		<u>DONE</u>	<u>N/A</u>
14.	Attach a schedule of wages, deferred compensation and expense account payments for all officers, directors and trustees.	_____	_____
15.	Attach a list of employees (other than officers) who received compensation in excess of \$30,000.	_____	_____
16.	Attach a list of entities providing professional services to the organization at fees in excess of \$30,000.	_____	_____
17.	Attach information about any legislative activity during the year.	_____	_____
18.	Provide a list of any transactions with a trustee, director, principle officer, or creator of the organization.	_____	_____
19.	501(c)(7) organizations - provide the amount of initiation fees and capital contributions.	_____	_____
20.	501(c)(12) organizations - attach a detailed computation of the 85% qualification test.	_____	_____
21.	Public interest law firms - attach a list of cases litigated during the year and describe the benefit to the general public.	_____	_____
22.	How many additional copies of the return do you need? _____		
23.	Additional information:		

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

ORGANIZATION NAME _____

ADDRESS _____

TAX YEAR ENDING _____

FEDERAL ID# _____

STATE ID# _____

REGISTRATION # _____

This organizer is designed to assist you in gathering the information needed to prepare the organization's current year tax returns. Complete the organizer and answer all questions. Should you have questions regarding any items, we will be happy to review them with you.

After finalizing the organizer read the statement below, then sign and date the acknowledgement and return to us.

(Preparer)

"I have submitted this information for the purpose of preparing the tax exempt organization's tax return(s). The enclosed information is true, accurate and complete to the best of my knowledge."

Acknowledged by _____

Title _____

Date _____

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

Attach a copy of the organization's general ledger, trial balance, depreciation schedules, balance sheet, and statement of revenues and expenses as of year-end. 501(c)(3),(c)(4) organizations and 4947(a)(1) trusts categorize expenses as to program services, management/general and fundraising. In addition, the following information will be needed:

YES NO N/A

100) GENERAL INFORMATION

101) If this is the first year we will prepare the tax return(s), provide the following from your file or your prior accountant: _____

- Tax returns for the prior three years
- Depreciation schedules
- IRS notification of exempt status
- Application for Exemption, Form 1023 or 1024
- IRS determination letter

102) Is the organization's address different from last year? _____

103) List the names and telephone numbers of the organization's advisors.

	Name	Telephone
Attorney		
Banker		
Insurance Agent		
Broker		

104) List the states with which a copy of this return will be filed. _____

105) Did the organization engage in any activity not previously reported to the Internal Revenue Service? If "yes," attach a detailed description of each activity. _____

106) Were any changes made in the organizing or governing documents? If "yes," attach a copy of the changes and indicate if they have been reported to the IRS. _____

107) Is the organization operating in compliance with the applicable exempt status? _____

108) Did the organization undergo a liquidation, dissolution, termination, or substantial contraction during the year? If "yes," attach details. _____

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
109) Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other organization? If "yes," enter the name of the organization and indicate if it is exempt or non-exempt. _____	_____	_____	_____
110) Does the organization provide fringe benefits to employees such as health insurance, group term life insurance, education assistance, expense allowances, and personal use of organization owned vehicles? If "yes," list the benefits provided. _____ _____	_____	_____	_____
111) Did the organization include taxable fringe benefits as compensation in employee W-2 forms and, if applicable, subject such amounts to payroll taxes?	_____	_____	_____
112) Does the organization sponsor any of the following fringe benefit plans?			
.1) Qualified retirement plan? If "yes" who is to prepare Form 5500? _____ a. Number of plans: _____ b. Number of participants: _____	_____	_____	_____
.2) Cafeteria plan? If "yes" who is to prepare Form 5500? _____	_____	_____	_____
.3) Non-qualified retirement plan? If "yes", number of participants: _____	_____	_____	_____
.4) Other fringe benefit plans described above? If "yes" please describe: _____	_____	_____	_____
113) Attach forms 1099, 941, 940, and W-2 that have been filed.	_____	_____	_____
114) Has the organization been notified of any changes to previous returns by any taxing authority? If "yes," attach copies of all correspondence.	_____	_____	_____
115) Has the organization posted the results of tax changes in it's financial records?	_____	_____	_____
116) Did anyone request to see either the organization's annual return or exemption application (or both)? If "yes," did the organization comply? _____	_____	_____	_____

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

- | | <u>YES</u> | <u>NO</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 117) Did the organization establish any new general ledger accounts during the tax year? If "yes," attach a list with a brief explanation of each account. | _____ | _____ | _____ |
| 118) Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? If "yes," attach a detailed list indicating the value of each item and whether it is included in revenue and expense. | _____ | _____ | _____ |
| 119) Did the organization solicit any contributions or gifts that were not tax deductible? If "yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? _____ | _____ | _____ | _____ |
| 120) For each area of program service revenue, attach an explanation of how the activity contributed importantly to the accomplishment of your organization's exempt purposes. | _____ | _____ | _____ |
| 121) For each of the four largest programs services offered by the organization, prepare a statement which fully describes the services provided, the number of persons benefitted and other achievements of the program. Section 501(c)(3) and (4) organizations must also identify the amount of any grants paid to others as part of the program. | _____ | _____ | _____ |
| 122) Complete the following schedule for all officers, directors and trustees of the organization as of the last day of the tax year. | | | |

Name & Address	Title & Average Hours Per Week	Salary & Bonus	Retirement & Deferred Compensation	Expense Accounts

- 123) Were there any direct or indirect political expenditures during the tax year? If so, indicate the amount \$_____ and attach details of the nature of the expenditures.
- _____

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
124) Did the organization file Form 5678, Election/Revocation of Election by an Eligible § 501(c)(3) Organization to Influence Legislation?	_____	_____	_____
125) Section 501(c)(7) organizations.	_____	_____	_____
.1) Did the organization receive initiation fees and capital contributions? If "yes," indicate the amount. \$ _____	_____	_____	_____
.2) Did the organization receive gross receipts for public use of club facilities? If "yes," indicate the amount. \$ _____	_____	_____	_____
.3) Does the club's governing instrument or any written policy statement provide for discrimination against any person because of race, color, or religion?	_____	_____	_____
126) Section 501(c)(12) organizations. Attach a detailed computation of the 85% qualification test, including a detailed listing of gross income received from: (1) members or shareholders and (2) other sources.	_____	_____	_____
127) Section 501(c)(5) or (6) organizations. Did the organization spend any amounts in attempts to influence public opinion about legislative matters or referendums? If "yes," enter the total amount spent for this purpose. \$ _____.	_____	_____	_____
128) Public interest law firms. Attach information describing each case litigated during the year or still in litigation and describe how the litigation will benefit the general public.	_____	_____	_____
129) Does the organization have a taxable subsidiary? If "yes," complete the following.	_____	_____	_____

Name, address, and TIN of corporation or partnership	Percentage of ownership interest	Nature of Business Activities	Total income	End-of-year assets

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

- | | <u>YES</u> | <u>NO</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 130) Did the organization have UBTI as a result of the operation of a trade or business not related to the organization's exempt function? | _____ | _____ | _____ |
| 131) Provide copies of all Forms K-1 received from partnerships or limited partnerships. | _____ | _____ | _____ |
| 132) Provide a detailed list of the expenses directly related to the UBTI activity. | _____ | _____ | _____ |
| 133) Provide a detailed list and explanation of the allocation method of general expenses allocated to UBTI. | _____ | _____ | _____ |
| 134) Have cash receipts over \$10,000 been reported on Form 8300? | _____ | _____ | _____ |
| 135) How many additional copies of the return do you need? _____ | | | |

Note: Unrelated business taxable income (UBTI) is one of the most critical issues within tax exempt organization reporting. Provide complete information related to your revenue sources to allow proper determination of the income classification.

200) 501(c)(3), 501(e),(f) AND (k) ORGANIZATIONS AND 4947(a)(1) TRUSTS

- 201) Did the organization pay compensation in excess of \$30,000 to any employee other than officers, directors and/or trustees? If "yes," complete the following schedule for the five highest paid employees. _____

Name and address of employees paid more than \$30,000	Title and average hours per week devoted to position	Compensation	Contributions to employee benefit plans	Expense account and other allowances
Total number of other employees paid over \$30,000 _____				

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

YES NO N/A

- 202) Did the organization pay any individuals or companies in excess of \$30,000 for professional services? If "yes," complete the following schedule for the five highest paid service providers.

Name and address of persons paid more than \$30,000	Type of service	Compensation
Total number of others receiving over \$30,000 for professional services _____		

- 203) Provide the actual cash receipts from public support. \$ _____

- 204) During the tax year, did the organization attempt to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "yes," enter the total expenses paid or incurred in connection with the legislative activities. \$ _____. Attach a detailed description of the legislative activities and the corresponding expenses paid or incurred.

- 205) During the tax year, has the organization either directly or indirectly, engaged in any of the following acts with a trustee, director, principal officer or creator of the organization or any taxable organization or corporation with which such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? If "yes," attach an explanation of the transaction(s):

.1) Sale, exchange or lease of property?

.2) Lending of money or other extension of credit?

.3) Furnishing of goods, services, or facilities?

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
.4) Payment of compensation or payment or reimbursement of expenses if more than \$1,000 (other than amounts previously reported at question 112).	_____	_____	_____
.5) Transfer of any part of the organization's income or assets?	_____	_____	_____
206) Does the organization make grants for scholarships, fellowships, student loans, etc.? If "yes", attach a statement explaining how the organization determines that those receiving disbursements from the organization in furtherance of its charitable programs qualify to receive payments.	_____	_____	_____
207) Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) (other than section 501(c)(3) organizations) or in section 527, relating to political organizations:			
.1) Transfers from the organization to a noncharitable exempt organization of:			
(a) Cash?	_____	_____	_____
(b) Other assets?	_____	_____	_____
.2) Other transactions:			
(a) Sales of assets to a noncharitable exempt organization?	_____	_____	_____
(b) Purchases of assets from a noncharitable exempt organization?	_____	_____	_____
(c) Rental of facilities or equipment?	_____	_____	_____
(d) Reimbursement arrangements?	_____	_____	_____
(e) Loans or loan guarantees?	_____	_____	_____
(f) Performance of services or membership or fundraising solicitations?	_____	_____	_____

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

YES NO N/A

- .3) Sharing of facilities, equipment, mailing lists or other assets, or paid employees?

- .4) If the answer to any of the above is "yes," complete the following schedule.

Amount involved	Name of noncharitable exempt organization	Description of transfers, transactions, and sharing arrangements

- 208) Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) (other than section 501(c)(3)) or in section 527? If "yes," complete the following schedule.

Name of organization	Type of organization	Description of relationship

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
300) PRIVATE SCHOOLS			_____
301) Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?	_____	_____	_____
302) Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	_____	_____	_____
303) Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community served? If "yes," attach a description; if "no," attach an explanation.	_____	_____	_____
304) Does the organization maintain the following (attach an explanation of any "no" or "n/a" answers):			
.1) Records indicating the racial composition of the student body, faculty, and administrative staff?	_____	_____	_____
.2) Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	_____	_____	_____
.3) Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	_____	_____	_____
.4) Copies of all material used by the organization or on its behalf to solicit contributions?	_____	_____	_____
305) Did the organization discriminate by race in any way with respect to (attach an explanation for any "yes" answers):			
.1) Students' rights or privileges?	_____	_____	_____
.2) Admissions policies?	_____	_____	_____
.3) Employment of faculty or administrative staff?	_____	_____	_____

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
.4) Scholarships or other financial assistance?	_____	_____	_____
.5) Educational policies?	_____	_____	_____
.6) Use of facilities?	_____	_____	_____
.7) Athletic programs?	_____	_____	_____
.8) Other extracurricular activities?	_____	_____	_____
306) Did the organization receive any financial aid or assistance from a governmental agency? If "yes," attach a schedule and indicate if the organization's right to such aid has ever been revoked or suspended.	_____	_____	_____
307) Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, covering racial nondiscrimination? If "no", attach an explanation.	_____	_____	_____

400) REVENUE AND SUPPORT

401) Attach a schedule listing contributors who, during the tax year, gave (directly or indirectly) money, securities or property with a value totalling at least \$5,000 (exclude individual gifts of less than \$1,000). Provide the donor's name, address, total amount contributed and the date contributed. If the organization is exempt under 501(c)(7), (8), (10), or (19) substitute \$1,000 for the \$5,000 above and explain the specific purpose and actual use of each gift.	_____	_____	_____
402) Did the organization sell any assets (other than inventory) during the tax year? If "yes," attach a schedule listing (sales of publicly traded securities may be aggregated):	_____	_____	_____
<ul style="list-style-type: none"> ● Description of asset ● Date acquired ● How acquired ● Date sold ● Buyer ● Gross sales price ● Cost, other basis, or if donated, value at time acquired (state which) ● Expense of sale ● Improvements made after acquired ● Depreciation since acquired 			

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
403) Did the organization sponsor any special fund raising events? If "yes," attach a schedule listing the three largest special events conducted, as measured by gross receipts. Describe each of these events and indicate for each event the gross receipts, the amount of contributions included in gross receipts, the gross revenue (gross receipts less contributions), the direct expenses, and the net income (gross revenue less direct expenses). Furnish the same information in total figures for all other special events held that are not among the three largest. Indicate the type and number of the events not listed individually (for example, three dances and two raffles).	_____	_____	_____
404) Attach a computation of cost of goods sold for the sale of inventory items.	_____	_____	_____
500) EXPENSES			
501) For all organizations other than 501(c)(3) and (4) organizations and section 4947(a)(1) charitable trusts, does the organization desire to allocate expenses under the classifications of expenses related to management/general, program services, and fundraising? If "yes", categorize expenses on the organization's trial balance.	_____	_____	_____
502) Did the organization award any grants or other allocations during the tax year? If "yes," attach a schedule of the following for each class of activity. <ul style="list-style-type: none">● Donee's name and address● Amount of the grant or allocation● Relationship of any donee to any person or corporation with an interest in the organization	_____	_____	_____
503) Does the organization provide any of the following benefits to members or dependents (do not include employment-related benefits provided to officers and employees)? If "yes," attach a schedule showing amounts of: <ul style="list-style-type: none">● Death, sickness, hospitalization, or disability benefits● Unemployment compensation benefits● Other benefits (describe) <div style="margin-top: 10px;"><div style="border-bottom: 1px solid black; width: 100%;"></div><div style="border-bottom: 1px solid black; width: 100%;"></div><div style="border-bottom: 1px solid black; width: 100%;"></div><div style="border-bottom: 1px solid black; width: 100%;"></div></div>	_____	_____	_____

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

YES NO N/A

504) Did the organization make payments to affiliates?
If "yes", attach a schedule listing the following:

- Name and address of each affiliate receiving payments
- Amount and purpose of the payments

600) BALANCE SHEET

601) Does the organization have any loans (include receivables from officers, directors, trustees and key employees) at year-end? If "yes," attach a schedule showing the following information:

- Borrower's name (identify officers, directors, trustees or key employees)
- Original amount
- Balance due at year end
- Date of note
- Maturity date
- Repayment terms
- Interest rate
- Security provided by the borrower
- Purpose of the loan
- Description and fair market value of the consideration furnished by the lender (for example, cash - \$1,000; or 100 shares of XYZ, Inc. common stock - \$9,000).

602) Does the organization hold any land, buildings or equipment for investment purposes? If "yes," attach a schedule listing the following: Description, cost or other basis, accumulated depreciation, investment fixed assets held at year-end and show the cost or other basis, accumulated depreciation, and book value for each asset.

603) Does the organization hold securities or other investments (other than land, buildings and equipment)? If "yes," attach a schedule describing each of these investments held at year-end providing the book value for each and indicating whether the investment is listed at cost or end of year market value.

604) Did the organization receive contributions, or grants, that contributors or grantors have designated as payable for one or more future years? If "yes," attach a schedule describing each contribution or grant and indicate the total amount of each item and the amount applicable to each future period.

ORGANIZER FOR TAX EXEMPT ORGANIZATIONS

YES NO N/A

605) Does the organization have loans payable at year-end? If "yes," attach a schedule showing the following information (identify officers, directors, trustees or key employees).

- The name of lender
- Original amount
- Balance due at year end
- Date of note
- Maturity date
- Repayment terms
- Interest rate
- Security provided by the borrower
- Purpose of the loan
- Description and fair market value of the consideration furnished by the lender (for example, cash - \$1,000; or 100 shares of XYZ, Inc. common stock - \$9,000)
- The relationship of the lender to any officer, director, trustee, or key employee of the organization.

COMMENTS OR EXPLANATIONS

INDIVIDUAL TAX ORGANIZER

NAME _____

This organizer is designed to assist you in gathering the information needed to prepare your current year tax returns. Complete the organizer and answer all questions. Should you have questions regarding any items, we will be happy to review them with you.

If this is the first year that we are preparing your tax return, please include a complete copy of your 1991 tax return including depreciation schedules.

After finalizing the organizer read the statement below, then sign and date the acknowledgement and return to us.

(Preparer)

"I have submitted this information for the purpose of preparing my personal tax returns. The enclosed information is true, accurate and complete to the best of my knowledge."

Acknowledged by _____

Date _____

INDIVIDUAL TAX ORGANIZER

Complete pages 1 through 2 and other applicable pages.

Your Name _____ SS# _____ Occupation _____

Spouse's Name _____ SS# _____ Occupation _____

Home Address _____

City, Town, or Post Office _____ County _____ State _____ Zip Code _____ School District _____

Telephone Number _____ Telephone Number (H) _____ Telephone Number (W) _____
Home(_____) Office(_____) Office(_____) _____

Yourself: Date of Birth _____ Blind? - Yes _____ No _____

Spouse: Date of Birth _____ Blind? - Yes _____ No _____

Dependent Children Who Lived With You:

Full Name	Social Security Number	Relationship	Age at 12/31

Other Dependents:

Full Name	Social Security Number	Relationship	Number Months Resided in Your Home	% Support Furnished By You

INDIVIDUAL TAX ORGANIZER

Please answer the following questions and submit details for any question answered "Yes":

	<u>YES</u>	<u>NO</u>
1.) Did any dependent have income of \$500 or more?	_____	_____
2.) Did any of your children under age 14 have investment income of over \$1,000?	_____	_____
If "yes," and your child qualifies, do you elect to report your child's income on your income tax return?	_____	_____
3.) Are any dependent children married and filing a joint return with their spouse?	_____	_____
4.) Did any dependent child over 19 years of age attend school less than 5 months during the year?	_____	_____
5.) Did you receive funds from any legal proceedings during the year?	_____	_____
6.) Did you make any gifts during the year directly or in trust totaling over \$10,000 per person?	_____	_____
7.) Did you have any interest in, or signature, or other authority over a bank, securities, or other financial account in a foreign country?	_____	_____
8.) Were you a resident of, or did you earn income in, more than one state during the year?	_____	_____
9.) Do you wish to have \$1 (or \$2 on joint return) of your taxes applied to the Presidential Campaign Fund?	_____	_____
10.) Do you want any overpayment of taxes applied to next year's estimated taxes?	_____	_____
11.) Do you expect a large fluctuation in your income or withholding next year?	_____	_____
12.) Did you receive interest income from tax-exempt securities?	_____	_____
13.) Do you have any worthless stock or any loans that became uncollectible this year?	_____	_____
14.) Did you receive unemployment compensation?	_____	_____
15.) Has the IRS or any state taxing agency notified you of changes to a prior year's tax return?	_____	_____
16.) Are you aware of any changes to your income, deductions and credits reported on a prior year's return?	_____	_____
17.) Did you purchase a diesel powered vehicle during the year?	_____	_____
18.) Did you purchase gasoline, oil, or special fuels for non-highway vehicles?	_____	_____
19.) If you or your spouse are self-employed, did you pay any health insurance premiums?	_____	_____

INDIVIDUAL TAX ORGANIZER

ESTIMATED TAX PAYMENTS MADE

	FEDERAL		STATE	
	Date Paid	Amount Paid	Date Paid	Amount Paid
1991 overpayment applied				
1st Quarter				
2nd Quarter				
3rd Quarter				
4th Quarter				

WAGES, SALARIES, AND OTHER EMPLOYEE COMPENSATION - List or enclose all W-2 Forms.

TS*	Employer	Gross Wages	Fed W/H	FICA W/H	Medicare W/H	State W/H	Local W/H

PENSION AND ANNUITY INCOME - List or enclose all Forms 1099.

TS*	Name of Payer	Total Received	Taxable Amount	Federal Tax Withheld	State Tax Withheld

*T = Taxpayer S = Spouse

1. Did you receive a lump sum distribution from your employer?
2. Did you "rollover" a lump sum distribution into another plan or IRA account?
3. Have you elected a lump sum treatment after 1986?

Taxpayer
Spouse

<u>YES</u>	<u>NO</u>
_____	_____
_____	_____
_____	_____

INDIVIDUAL TAX ORGANIZER

SOCIAL SECURITY BENEFITS RECEIVED - List or enclose all SSA-1099 Forms.

	Gross	Medicare Premiums Deducted	Net Received
Taxpayer	\$	\$	\$
Spouse	\$	\$	\$

INTEREST INCOME - List or enclose all 1099-INT forms and statements of tax exempt interest earned.

[illegible]

*T = Taxpayer S = Spouse J = Joint

INDIVIDUAL TAX ORGANIZER

DIVIDEND INCOME - List or enclose all 1099-DIV Forms and statements of tax exempt dividends earned.

[illegible]

*T = Taxpayer S = Spouse J = Joint

MISCELLANEOUS INCOME - List or enclose related 1099(s) or other forms.

Description	Amount
State and local income tax refund(s)	
Alimony received	
Jury fees	
Finder's fees	
Director's fees	
Prizes	
Other miscellaneous income	

INDIVIDUAL TAX ORGANIZER

INCOME FROM BUSINESS OR PROFESSION

Who owns this business? ☐ Taxpayer ☐ Spouse ☐ Joint

Principal business or profession _____

Business name _____

Business taxpayer identification number _____

Business address _____

Method(s) used to value closing inventory:

___ Cost ___ Lower of cost or market ___ Other (describe) _____

Accounting method:

___ Cash ___ Accrual ___ Other (describe) _____

	<u>YES</u>	<u>NO</u>
1. Was there any change in determining quantities, costs or valuations between the opening and closing inventory? If "yes," attach explanation.	_____	_____
2. Did you deduct expenses for the business use of your home? If "yes," see attached schedule.	_____	_____
3. Did you materially participate in the operation of the business during the year?	_____	_____
4. Was all of your investment in this activity at risk?	_____	_____
5. Were any assets sold during the year? If "yes," list assets sold including date acquired, date sold, sales price, basis and gain or loss.	_____	_____
6. Were any assets purchased during the year? If "yes," list assets acquired, including date placed in service and purchase price, including trade-in. Include copies of purchase invoices.	_____	_____
7. List states in which business was conducted.	_____	_____

Attach schedule of income and expenses of the business or complete the following worksheet.
Complete a separate schedule for each business.

INDIVIDUAL TAX ORGANIZER

Description	Amount
Part I - Income	
Gross receipts or sales	
Returns and allowances	
Other income (List type and amount)	
Part II - Cost of Goods Sold	
Inventory at beginning of year	
Purchases less cost of items withdrawn for personal use	
Cost of labor (Do not include salary paid to yourself)	
Materials and supplies	
Other costs (List type and amount)	
Inventory at end of year	
Part III - Expenses	
Advertising	
Bad debts from sales or services	
Car and truck expenses (Provide details on separate sheet)	
Commissions and fees	
Depletion	
Depreciation and section 179 expense deduction	
Employee benefit programs (other than Pension and Profit Sharing plans shown below)	
Insurance (other than health)	
Interest:	
a. Mortgage (paid to banks, etc.)	
b. Other	
Legal and professional services	
Office expense	
Pension and profit-sharing plans	
Rent or lease:	
a. Vehicles, machinery, and equipment	
b. Other business property	

INDIVIDUAL TAX ORGANIZER

Repairs and maintenance	
Supplies	
Taxes and licenses	
Travel, meals, and entertainment	
a. Travel	
b. Meals and entertainment	
Utilities	
Wages	
Other expenses (list type and amount)	

INDIVIDUAL TAX ORGANIZER

OFFICE IN HOME

To qualify for an office in home deduction, the area must be used exclusively for business purposes on a regular basis in connection with your employer's business and for your employer's convenience. If you are self-employed, it must be your principal place of business or you must be able to show that income is actually produced there. If business use of home relates to daycare, provide total hours of business operation for the year.

Business or activity for which you have an office	Total area of the house (square feet)	Area of business portion (square feet)	Business percentage

I. DEPRECIATION

	Date placed in service	Cost/Basis	Method	Life	Prior Depreciation	Current Expense
House						
Land						
Total Purchase Price						
Improvements (Provide details)						

II. EXPENSES TO BE PRORATED:

Mortgage interest	_____
Real estate taxes	_____
Utilities	_____
Property insurance	_____
Other expenses - itemize	_____

III. EXPENSES THAT APPLY DIRECTLY TO HOME OFFICE:

Telephone	_____
Maintenance	_____
Other expenses - itemize	_____

INDIVIDUAL TAX ORGANIZER

CAPITAL GAINS AND LOSSES - Enclose all 1099-B and 1099-S Forms. If you wish us to complete the following schedule furnish all your brokerage account statements and transaction slips.

Enter sales reported to you on Forms 1099-B and 1099-S:

Description	Date Acquired	Date Sold	Sales Proceeds	Cost or Basis	Gain (Loss) Long-Term Over 12 mos.	Gain (Loss) Short-Term 12 mos. or Less

Enter the sales NOT reported on forms 1099-B and 1099-S:

Description	Date Acquired	Date Sold	Sales Proceeds	Cost or Basis	Gain (Loss) Long-Term Over 12 mos.	Gain (Loss) Short-Term 12 mos. or Less

INDIVIDUAL TAX ORGANIZER

SALE/PURCHASE OF PERSONAL RESIDENCE

Enclose closing statements on purchase and sale of old residence and purchase of new residence. If you have previously sold a residence, enclose a copy of the Form 2119 filed with your tax return for the year of the most recent sale.

Date you moved into new residence _____

Improvements to old residence - itemize

Description	Amount

If you have not purchased a new home, do you plan to reinvest within the applicable time period? _____

MOVING EXPENSES

Did you change your residence during this year incident to a change in employment, transfer, or self-employment? Yes _____ No _____

If "yes," furnish the following information:

Number of miles from your former residence to your new business location _____ miles

Number of miles from your former residence to your former business location _____ miles

Did your employer reimburse or pay directly any of your moving expenses? Yes _____ No _____

If "yes," enclose the employer provided itemization form (Form 4782) and note the amount of reimbursement received. \$ _____

Itemize below the total moving costs you paid without reduction for any reimbursement by your employer.

- I. Expenses of moving from old to new home:
- Transportation expenses in moving household goods _____
 - Cost of storing and insuring household goods _____
 - Travel and lodging _____
 - Meals _____
 - Pre-move expenses for househunting trips:
 - Travel and lodging _____
 - Meals _____

- II. Temporary living expenses in new location during any 30 consecutive days after obtaining employment or transfer:
- Lodging _____
 - Meals _____

III. Real Estate expenses:

- Expenses of selling or exchanging your old home _____
- Expenses of settling an unexpired lease _____
- Expenses of buying your new home _____
- Expenses of obtaining a new lease _____

INDIVIDUAL TAX ORGANIZER

RENTAL INCOME - Complete a separate schedule for each property.

Description and location of property _____

Residential property?

Yes _____ No _____

Personal use?

Yes _____ No _____

If "yes," please complete the information below.

Number of days the property was occupied by you, a member of the family, or any individual not paying rent at the fair market value. _____

Number of days the property was not occupied. _____

Did you actively participate in the operation of the rental property during the year?

Yes _____ No _____

Income:			
Rents received		Other income	
Expenses:			
Mortgage interest		Legal	
Other interest		Cleaning	
Insurance		Assessments	
Repairs and maintenance		Utilities	
Travel		Other (itemize)	
Advertising			
Taxes			

If this is the first year we are preparing your return, enclose depreciation records.

If this is a new property, attach closing statement.

List below any improvements or assets purchased during the year?

Description	Date placed in service	Cost

INDIVIDUAL TAX ORGANIZER

INCOME FROM PARTNERSHIPS, ESTATES OR TRUSTS, S CORPORATIONS

Enclose all schedule K-1 forms received to date. Also list below all K-1 forms not yet received:

Name	Source Code*	Federal ID #

*Source Code: P = Partnership E = Estate/Trust S = S Corporation

INDIVIDUAL TAX ORGANIZER

CONTRIBUTIONS TO RETIREMENT PLANS

	TAXPAYER	SPOUSE
Are you covered by a qualified retirement plan? (Y/N)		
Do you want to make the maximum deductible IRA contribution? (Y/N)		
Do you want to make the maximum allowable Keogh/SEP contribution? (Y/N)		
IRA payments made toward your 1992 deduction if you are working.		
IRA payments made toward your 1992 deduction for nonworking spouse.		
KEOGH/SEP payments made toward your 1992 deduction.		
Do you want to make a contribution even if part or all of it may not be deducted? If "yes," provide the following information:		
Value of all IRA's at December 31, 1992. (Attach statements)		
Basis of previous non-deductible IRA's per 1991 Form 8606 (Attach a copy of the form.)		

ALIMONY PAID

Name of Recipient(s) _____

SS# of Recipient(s) _____

Amount(s) Paid _____

If a divorce occurred this year, enclose a copy of the divorce decree.

INDIVIDUAL TAX ORGANIZER

MEDICAL AND DENTAL EXPENSES

Description	Amount
Premiums for health and accident insurance	
Medicine and drugs (prescription only)	
Doctors, dentists, nurses	
Hospitals, clinics, laboratories	
Other:	
Eyeglasses	
Ambulance	
Medical supplies	
Hearing aids	
Lodging and meals	
Travel	
Mileage @ 9¢ mile	
Insurance reimbursements received	

Were any of the above expenses related to cosmetic surgery?

Yes _____

No _____

DEDUCTIBLE TAXES

Description	Amount
State and local income taxes payments made this year for prior year(s).	
Real estate taxes: Primary residence	
Secondary residence	
Other	
Personal property tax	
Ad valorem tax on automobile, truck, or trailer: Vehicle #1	
Vehicle #2	
Vehicle #3	
Intangible tax	
Other taxes (itemize)	

INDIVIDUAL TAX ORGANIZER

INTEREST EXPENSE

Mortgage interest (attach 1098 forms.)

Payee*	Property**	Amount

*Include address if payee is an individual.

**Describe the property securing the related obligation, i.e., principal residence, motor home, boat, etc.

Investment interest

Payee	Investment Purpose	Amount

Business Interest

Payee	Business Purpose	Amount

INDIVIDUAL TAX ORGANIZER

CONTRIBUTIONS

Cash contributions for which you have receipts, canceled checks, etc.

Donee	Amount	Donee	Amount

Cash contributions for which no receipts are available

Donee	Amount	Donee	Amount

Expenses incurred in performing volunteer work for charitable organizations:

Actual out-of-pocket expenses for gas, oil, etc. _____
OR Mileage _____ miles @ 12¢/mile _____
 Parking fees and tolls _____
 Supplies _____
 Meals & Entertainment _____
 Other (itemize) _____

Other than cash contributions:

Organization name and address			
Description of property			
Date acquired			
How acquired			
Cost or basis			
Date contributed			
Fair market value (FMV)			
How FMV determined			

INDIVIDUAL TAX ORGANIZER

CASUALTY THEFT OR LOSSES

Loss of property by theft or damage to property by fire, storm, car accident, shipwreck, flood, or other "act of God".

	Property 1	Property 2	Property 3
Indicate type of property	<input type="checkbox"/> Business <input type="checkbox"/> Personal	<input type="checkbox"/> Business <input type="checkbox"/> Personal	<input type="checkbox"/> Business <input type="checkbox"/> Personal
Description of property			
Date acquired			
Cost			
Date of loss			
Description of loss			
Was property insured? (Y/N)			
Was insurance claim made? (Y/N)			
Insurance proceeds			
Fair market value before loss			
Fair market value after loss			

MISCELLANEOUS DEDUCTIONS

Description	Amount
Union dues	
Income tax preparation fees	
Legal fees (provide details)	
Safe deposit box rental (if used for storage of documents or items related to income-producing property)	
Small tools	
Uniforms which are not suitable for wear outside work	
Safety equipment and clothing	
Professional dues	
Business publications	
Unreimbursed cost of business supplies	
Employment agency fees	
Necessary expenses connected with producing or collecting income or for managing or protecting property held for producing income not reported on Form 2106 - Employee unreimbursed business expense	
Business use of home - (use "office in home" schedule provided in this organizer)	
Other miscellaneous deductions - itemize	

INDIVIDUAL TAX ORGANIZER

EMPLOYEE BUSINESS EXPENSES

Expenses incurred by: ☐ Taxpayer ☐ Spouse Occupation _____

(Complete a separate schedule for each business)

Description	Total Expense Incurred	Employer Reimbursement Reported on W-2	Employer Reimbursement Not on W-2
Travel expenses while away from home:			
Travel fares			
Lodging			
Meals and entertainment			
Other employee business expenses -itemize			

Automobile Expenses - Complete a separate schedule for each vehicle.

Vehicle description _____	Total business miles _____
Date placed in service _____	Total commuting miles _____
Cost/Fair market value _____	Total other personal miles _____
Lease term, if applicable _____	Total miles this year _____

Actual expenses	
Gas, oil _____	Taxes _____
Repairs _____	Tags & licenses _____
Tires, supplies _____	Interest _____
Insurance _____	Lease payments _____
Parking _____	Other _____

Did you acquire or dispose of a vehicle for business during this year? Yes _____ No _____

If yes, enclose purchase and sales contract.

Did you use the above vehicle in this business less than 12 months? Yes _____ No _____

If "yes," enter the number of months _____.

Do you have another vehicle available for personal purposes? Yes _____ No _____

Do you have evidence to support your deduction? Yes _____ No _____

Is the evidence written? Yes _____ No _____

INDIVIDUAL TAX ORGANIZER

CHILD CARE EXPENSES

Did you pay an individual or an organization to perform services in the care of a dependent under 15 years old in order to enable you to work or attend school on a full time basis? Yes _____ No _____

If "yes," complete the following information:

Name and relationship of the dependents for whom services were rendered

List individuals or organizations to whom expenses were paid during the year. (Services of a relative may be deductible only if that relative is not a dependent and if the relative's services are considered employment for social security purposes.)

Name and Address	ID#	Amount

If payments of \$50 or more in a calendar quarter were made to an individual, were the services performed in your home? Yes _____ No _____

If "yes," did you file payroll tax returns? Yes _____ No _____

If "yes," enter your employer identification number _____

PARTNERSHIP TAX ORGANIZER

Partnership Name		Tax Period	
Address		Federal ID#	
		State ID#	

Provide a general ledger, trial balance, depreciation schedules, balance sheet and profit and loss statement. In addition, provide the following information:

	<u>DONE</u>	<u>N/A</u>
1. Attach copies of notices from tax authorities regarding changes to prior year returns.	<u> </u>	<u> </u>
2. Provide details of partner ownership changes.	<u> </u>	<u> </u>
3. For each partner, provide ID#, address, percentage of ownership, profit/loss %, general or limited. Identify the Tax Matters Person.	<u> </u>	<u> </u>
4. List all payments to/for partners including descriptions, amounts and the accounts to which these amounts have been posted.	<u> </u>	<u> </u>
5. List loans to/from partners and related parties including interest rates and payment schedules.	<u> </u>	<u> </u>
6. Provide list of all fringe benefits paid on behalf of partner and indicate which benefits have been included in their guaranteed payments.	<u> </u>	<u> </u>
7. Provide detailed analysis of entries in prepaid and accrued expense accounts.	<u> </u>	<u> </u>
8. Attach forms 1099, 941, 940, 5500 and W-2s that have been filed.	<u> </u>	<u> </u>
9. Provide a list of all interest and dividend income.	<u> </u>	<u> </u>
10. List assets acquired and/or sold during the year including date acquired, date sold, sales or purchase price, including any trade-in allowance.	<u> </u>	<u> </u>
11. Provide a copy of the inventory uniform capitalization computation.	<u> </u>	<u> </u>
12. Provide a list of contributions.	<u> </u>	<u> </u>
13. List non-deductible expenses such as penalties and life insurance premiums.	<u> </u>	<u> </u>
14. Provide vehicle and mileage data for partnership owned passenger vehicles.	<u> </u>	<u> </u>
15. Attach details of miscellaneous expenses.	<u> </u>	<u> </u>
16. Furnish total of meal and entertainment expenses.	<u> </u>	<u> </u>
17. List each type of trade or business activity or rental activity and indicate the date started or acquired.	<u> </u>	<u> </u>
18. Attach a list of activities conducted in other states.	<u> </u>	<u> </u>

PARTNERSHIP ORGANIZER

ORGANIZATION NAME _____

ADDRESS _____

TAX YEAR ENDING _____

FEDERAL ID# _____

STATE ID# _____

This organizer is designed to assist you in gathering the information needed to prepare the Partnership's current year tax returns. Complete the organizer and answer all questions. Should you have questions regarding any items, we will be happy to review them with you.

After finalizing the organizer read the statement below, then sign and date the acknowledgement and return to us.

(Preparer)

"I have submitted this information for the purpose of preparing the partnership's tax returns. The enclosed information is true, accurate and complete to the best of my knowledge."

Acknowledged by _____

Title _____

Date _____

PARTNERSHIP ORGANIZER

Attach a general ledger, trial balance, depreciation schedules, balance sheet, and profit and loss statement by activity. In addition, the following information will be needed:

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
100) GENERAL INFORMATION			
101) If this is the first year we will prepare the tax return(s), provide the following from your file or your prior accountant:			_____
<ul style="list-style-type: none">• Partnership agreement• Tax returns for the prior three years• Depreciation schedules• Partner basis carryforward schedule• Partner buy/sell agreement			
102) Has the partnership been notified of any changes to previous returns by any taxing authority? If "yes," attach a schedule reflecting prior and current year ownership.	_____	_____	_____
103) Have there been any amendments to the partnership agreement during this tax year? If "yes," attach a copy.	_____	_____	_____
104) Attach a list of all partners providing the following information:			
<ul style="list-style-type: none">• Name• Address• Social Security/Taxpayer Identification Number• General partner or limited partner• Type of entity• Domestic or foreign• Profit sharing percentage• Loss sharing percentage• Percentage ownership• Changes in partner's ownership interest change after 10/22/86• Capital account reconciliation			
105) Which general partner is designated as the Tax Matters Partner?			_____
106) Has there been a change in ownership since last year? If "yes," attach a schedule reflecting prior and current year ownership.	_____	_____	_____
107) Did any of the partners' taxable years change during the year? If "yes," attach a schedule detailing the change.	_____	_____	_____

PARTNERSHIP ORGANIZER

YES NO N/A

108) List the names and telephone numbers of the partnership's advisors:

	Name	Telephone
Attorney		
Banker		
Insurance		
Broker		

109) Does the partnership have any of the following fringe benefit plans?

- .1) Qualified retirement plan?
If "yes" who is to prepare Form 5500?____
 - a) Number of plans:____
 - b) If "yes" how many participants?____
- .2) 401(k) plan?
If "yes" how many employees?____
- .3) Cafeteria plan?
If "yes" who is to prepare Form 5500?____
- .4) Non-qualified retirement plan?
If "yes" how many participants?____
- .5) Other fringe benefit plans not
described above? If "yes" describe:

110) Describe the principle business activity of the partnership:

- .1) Did the partnership acquire or dispose of a business or
business segment during this tax year? If "yes," attach a
copy of the contract or agreement.

PARTNERSHIP ORGANIZER

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
.2) Did the partnership engage in any new activities during this tax year? If "yes," attach a description of the new business.	_____	_____	_____
111) Does the partnership provide fringe benefits to employees, or partners? If "yes," provide a list of benefits provided.	_____	_____	_____
112) Did the partnership include taxable fringe benefits such as health insurance, group life insurance, educational assistance, expense allowances and personal use of company vehicles as compensation in employee's W-2 forms and, if applicable, subject such amounts to payroll taxes?	_____	_____	_____
113) Attach a schedule, by partner, of fringe benefits paid on behalf of each partner such as medical, life insurance, disability and housing. Indicate which accounts have been charged.			
114) Attach Forms 1099, 941, 940 and W-2 that have been filed.	_____	_____	_____
115) Did the partnership have loans with partners and/or other related parties during the tax year?	_____	_____	_____
If "yes," attach a schedule indicating the amount of the loan, date of transaction, interest rate and payments. Also, attach a copy of the note if not previously provided.			
116) Should the address shown on the return be different from last year? If so, what address should be shown on the return?	_____	_____	_____

117) Is the partnership a partner in another partnership? If yes, attach a copy of other partnership return(s).	_____	_____	_____
118) Circle method of accounting for tax purposes:			
Cash Accrual Other (Describe) _____			
119) Did the partnership establish any new general ledger accounts during the tax year? If "yes," attach a list with a brief explanation of each account.	_____	_____	_____
120) Did the partnership post any entries to the partnership capital accounts during the year? If "yes" provide detail of the activity.	_____	_____	_____

PARTNERSHIP ORGANIZER

YES NO N/A

- | | | | |
|---|-------|-------|-------|
| 121) Was there a distribution of property or a transfer (for example, by sale or death) of a partnership interest during this tax year? | _____ | _____ | _____ |
| 122) Has the partnership ever elected to "Step Up" the basis of any assets in connection with the death of a partner or a change in ownership? (754 election) | _____ | _____ | _____ |
| 123) Did the partnership, at any time during the tax year, have signature authority or an interest in a foreign bank account? | _____ | _____ | _____ |
| 124) Was the partnership the grantor of, or transferor to, a foreign trust during the tax year? | _____ | _____ | _____ |
| 125) Does the partnership do business in any other state(s)? If "yes," list state returns required. _____ | _____ | _____ | _____ |
| <div style="margin-left: 40px;">.1) Provide copies of supporting schedules reflecting the three factor (property, payroll, sales) multistate apportionment formula used to determine income.</div> <div style="margin-left: 40px;">.2) Provide a schedule showing any amounts for which there are known timing or treatment differences between federal and applicable state reporting.</div> | | | |
| 126) How many additional copies of the return do you need? _____ | | | |
| 127) Is this a final return? | _____ | _____ | _____ |

200) INCOME

- | | | | |
|---|-------|-------|-------|
| 201) Does the partnership engage in more than one trade or business activity? If "yes," attach a list and note those started or acquired after 10/22/86. | _____ | _____ | _____ |
| 202) Does the partnership engage in any rental real estate activity? If "yes," attach a list and note those started or acquired after 10/22/86. | _____ | _____ | _____ |
| 203) Did the partnership receive interest from the following sources? If "yes," indicate the amount. | _____ | _____ | _____ |
| <div style="margin-left: 40px;">U.S. agencies _____</div> <div style="margin-left: 40px;">U.S. government _____</div> <div style="margin-left: 40px;">Municipal tax exempt _____</div> <div style="margin-left: 40px;">Municipal-private agency _____</div> | | | |

PARTNERSHIP ORGANIZER

YES NO N/A

- 204) Did the partnership sell any stocks, bonds or securities during the year? If "yes," complete the following:

Description of Securities Sold	Date Acquired	Cost or Basis Plus Selling Expenses	(Trade Date) Date Sold	Total Sales Price

- 205) Did the partnership own any stock or securities that became worthless during the year? If "yes," attach details.

- 206) Did the partnership own any mutual funds?
If "yes" attach year end statement.

- 207) During the tax year, did the partnership sell any assets used in the business? If "yes," attach a schedule listing:

- Description of asset sold
- Date sold
- Sales price
- Selling expenses
- Date acquired
- Original cost or basis
- Depreciation claimed in prior years

- 208) List detail of all items greater than in the miscellaneous income account

Description	Amount

PARTNERSHIP ORGANIZER

YES NO N/A

209) Did the partnership have any sales during the year that qualify for the installment method of reporting? If "yes," attach a copy of the agreement, the principal and interest received, and the beginning of year and end of year contract balances.

210) Did the partnership have any deferred income at year end? If "yes," attach a detailed schedule.

211) Were there any sales or exchanges during the year between the partnership and a partner? If "yes," attach a detailed listing.

212) Did the partnership engage in any bartering activity during the year? If so, attach a schedule of all such activities.

300) DEDUCTIONS

301) Were there any payments to partners during the year for services or for the use of capital, determined without regard to income? If "yes," provide the details below:

Partner	Description	Amount

302) Do the Uniform Capitalization Rules under Section 263A related to items such as inventory and construction, apply? If "yes," attach copies of all schedules reflecting the calculation of the amount of general and administrative expenses required to be capitalized in ending inventory or associated with self-constructed assets.

303) List all charitable contributions made or accrued during the tax year:

Organization	Amount

PARTNERSHIP ORGANIZER

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
304) Did the partnership make political contributions during the tax year?			
.1) If "yes," enter the amount. \$ _____	_____	_____	_____
.2) If "yes," enter which accounts the contributions were posted to.			

305) Does the partnership pay life insurance premiums (other than group term life) for any partner(s)? If "yes," provide the following for each policy:			
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <ul style="list-style-type: none"> Face amount Insured Policy owner Beneficiary Type of policy </div> <div style="width: 45%;"> <ul style="list-style-type: none"> Premium paid Cash surrender value at year end Loan balance at year end Interest paid on policy loan </div> </div>			

To which general ledger account have the payments been posted?

306) Did the partnership pay any penalties/fines during the tax year?			
If "yes," list amount(s) and indicate the reason for the penalty/fine.	_____	_____	_____

Description	Amount

307) Did the partnership acquire any assets during the tax year? If "yes", attach a list of assets purchased including the date placed in service, and a copy of the purchase invoice. Include any trade-in information.			
	_____	_____	_____

308) Does the partnership wish to use accelerated depreciation methods?			
	_____	_____	_____

PARTNERSHIP ORGANIZER

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
309) Does the partnership own or lease any vehicles? If "yes," provide the following information for each vehicle (note certain exceptions may apply for taxpayers with more than five vehicles):	_____	_____	_____
<ul style="list-style-type: none"> • Vehicle description • Date placed in service • Business miles • Commuting miles • Other personal miles • Total miles • Average daily round trip commuting distance 			
.1) Does the partnership have evidence to support the business use claimed?	_____	_____	_____
If "yes," is the evidence written?	_____	_____	_____
.2) Was the vehicle available for personal use during off-duty hours?	_____	_____	_____
.3) Was the vehicle used primarily by a more than 5% owner or related person?	_____	_____	_____
.4) Is another vehicle available for personal use?	_____	_____	_____
.5) If the vehicle is leased provide:			
<ul style="list-style-type: none"> • Date of lease • Fair market value at inception • Term of lease • Lease payments • Copy of lease 			
310) Regarding partnership policy for vehicles:			
.1) Does the partnership maintain a written policy statement that prohibits all personal use of vehicles, <u>including</u> commuting, by employees?	_____	_____	_____
.2) Does the partnership maintain a written policy statement that prohibits personal use of vehicles, <u>excluding</u> commuting, by employees?	_____	_____	_____
.3) Does the partnership treat all use of vehicles by employees as personal use?	_____	_____	_____

PARTNERSHIP ORGANIZER

YES NO N/A

- .4) Does the partnership provide more than five vehicles to employees and retain the information received from employees concerning the use of vehicles? _____
- .5) Does the partnership require or maintain copies of vehicle logs? _____
- 311) Are computers or other property used for personal purposes? _____
 If "yes," complete the following:

Description	Date Placed in Service	Business Use %	Cost or Basis

- .1) Does the partnership have evidence to support the business use claimed? _____
- .2) If "yes," is the evidence written? _____
- 312) Did the partnership have any meal or entertainment expenses? _____
 If "yes," which account(s) were these items posted to?
- 313) List below all items in the miscellaneous expense account greater than \$ ____.

Description	Amount

PARTNERSHIP ORGANIZER

YES NO N/A

- 314) Will all compensation related accruals (including vacation pay) be paid within 2 1/2 months of year end? If "no", provide details of unpaid amounts.

- 315) Provide the following information for all items of interest expense:

Payee	Purpose of Loan	Recourse/ Non-Recourse	Year End Principal Balance	Interest Expense

- 316) Are there any accruals of interest, compensation or other expenses to partners at year end?
If "yes," provide detail.

CORPORATION TAX ORGANIZER

Corporation Name	_____	Tax Period	_____
Address	_____	Federal ID#	_____
	_____	State ID#	_____

Provide a general ledger, trial balance, depreciation schedules, balance sheet and profit and loss statement. In addition, provide the following information:

	<u>DONE</u>	<u>N/A</u>
1. Attach copies of notices from tax authorities regarding changes to prior year returns.	_____	_____
2. Provide details of changes in stock ownership.	_____	_____
3. For each corporate officer provide SS#, compensation, percentage of ownership and time devoted to business.	_____	_____
4. List loans to/from shareholders, officers and related parties including interest rates and payment schedules.	_____	_____
5. Provide detailed analysis of entries in prepaid, accrued, and income tax expense accounts, including dates and amounts of all federal, state and local income tax payments and refunds.	_____	_____
6. Attach forms 1099, 941, 940, 5500 and W-2s that have been filed.	_____	_____
7. Provide a list of all interest and dividend income.	_____	_____
8. List assets acquired and/or sold during the year including date acquired, date sold, sales or purchase price, including any trade-in allowance.	_____	_____
9. Provide a copy of the inventory uniform capitalization computation.	_____	_____
10. Provide a list of contributions.	_____	_____
11. List non-deductible expenses, such as penalties and life insurance premiums.	_____	_____
12. Provide vehicle and mileage data for company owned passenger vehicles.	_____	_____
13. Attach details of miscellaneous income/expense accounts.	_____	_____
14. Furnish total of meal and entertainment expenses.	_____	_____
15. Attach a list of activities conducted in other states.	_____	_____

S-CORPORATION TAX ORGANIZER

Corporation Name _____	Tax Period _____
Address _____	Federal ID# _____
_____	State ID# _____

Provide a general ledger, depreciation schedules, balance sheet, and profit and loss statement.
In addition, provide the following information:

	<u>DONE</u>	<u>N/A</u>
1. Attach copies of notices from tax authorities regarding changes to prior year returns.	_____	_____
2. Provide details of changes in stock ownership.	_____	_____
3. For each shareholder provide ID#, compensation, percentage of ownership, time devoted to business, date ownership acquired and detail of distributions received. Identify the Tax Matters Person.	_____	_____
4. Provide a list of all fringe benefits paid on behalf of more than 2% shareholders and indicate which benefits have been included in their W-2.	_____	_____
5. List loans to/from shareholders, officers and related parties including interest rates and payment schedules.	_____	_____
6. Provide schedule of built-in gains.	_____	_____
7. Provide detailed analysis of entries in prepaid, accrued, and income tax expense accounts, including dates and amounts of all federal, state and local income tax payments and refunds.	_____	_____
8. Attach forms 1099, 941, 940, 5500 and W-2s that have been filed.	_____	_____
9. Provide a list of all interest and dividend income.	_____	_____
10. List assets acquired and/or sold during the year including date acquired, date sold, sales or purchase price, including any trade-in allowance.	_____	_____
11. Provide a copy of the inventory uniform capitalization computation.	_____	_____
12. Provide a list of contributions.	_____	_____
13. List non-deductible expenses such as penalties and life insurance premiums.	_____	_____
14. Provide vehicle and mileage data for company owned passenger vehicles.	_____	_____
15. Attach details of miscellaneous income/expense accounts.	_____	_____
16. Furnish total of meal and entertainment expenses.	_____	_____
17. List each type of trade or business activity or rental activity and indicate the date started or acquired.	_____	_____
18. Attach a list of activities conducted in other states.	_____	_____

CORPORATION TAX ORGANIZER (1120, 1120S)

ORGANIZATION NAME _____

ADDRESS _____

TAX YEAR ENDING _____

FEDERAL ID# _____

STATE ID# _____

This organizer is designed to assist you in gathering the information needed to prepare the Corporation's current year tax returns. Complete the organizer and answer all questions. Should you have questions regarding any items, we will be happy to review them with you.

After finalizing the organizer read the statement below, then sign and date the acknowledgement and return to us.

(Preparer)

"I have submitted this information for the purpose of preparing the corporation's tax returns. The enclosed information is true, accurate and complete to the best of my knowledge."

Acknowledged by _____

Title _____

Date _____

CORPORATION TAX ORGANIZER (1120, 1120S)

Attach a general ledger, trial balance, depreciation schedules, balance sheet, and profit and loss statement by activity. In addition, the following information will be needed:

YES NO N/A

100) GENERAL INFORMATION

101) If this is the first year we will prepare the tax return, provide the following from your file or your prior accountant:

- Tax returns for the prior three years
- Depreciation schedules
- List of all investment stock owned
- All tax carryforward schedules such as NOL, tax credits, contributions, etc.
- Copy of buy/sell agreement

102) Should the address shown on the return be different from last year?
If so, what address should be shown on the return?

103) Has the corporation been notified of any changes to previous returns by any taxing authority? If "yes," attach copies of all correspondence.

104) Has there been a change in ownership percentages since last year?
If yes, attach a schedule reflecting prior and current year ownership.

105) Have there been any changes to the shareholders' buy/sell agreement?
If "yes," attach a copy.

106) Has the corporation updated its minute book for the year? If "yes," attach copies.

107) List the names and telephone numbers of the corporation's advisors:

	Name	Telephone
Attorney		
Banker		
Insurance		
Broker		

CORPORATION TAX ORGANIZER (1120, 1120S)

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
108) Describe the principle business activity of the corporation: _____			
.1) Did the corporation purchase or sell a business or business segment during this year? If "yes," attach a copy of contract or agreement.	_____	_____	_____
.2) Did the corporation engage in any new activities during the year? If "yes," describe new business on attached sheet.	_____	_____	_____
109) Does the corporation have any of the following fringe benefit plans?			
.1) Qualified retirement plan? If "yes" who is to prepare Form 5500? _____ a) Number of plans? _____ b) If "yes", how many participants? _____	_____	_____	_____
.2) 401(k) plan? If "yes", who is to prepare Form 5500? _____ a) If "yes," who is to prepare Form 5500? _____	_____	_____	_____
.3) Cafeteria plan? If "yes", how many employees? _____	_____	_____	_____
.4) Non-qualified retirement plan? If "yes", who is to prepare Form 5500? _____	_____	_____	_____
.5) Other fringe benefit plans not described above? If "yes", describe: _____ _____ _____ _____	_____	_____	_____
110) Does the corporation provide fringe benefits to employees? If "yes," provide a list of benefits provided. Did the corporation include taxable fringe benefits such as health insurance, group term life insurance, education assistance, expense allowances and personal use of corporate owned vehicles as compensation in employee W-2 forms and if applicable, subject such amounts to payroll taxes?			
	_____	_____	_____

CORPORATION TAX ORGANIZER (1120, 1120S)

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
111) At year end, did the corporation own directly or indirectly, 50% or more of the voting stock of a domestic corporation?	_____	_____	_____
.1) Name: _____			
Address: _____			
ID#: _____			
Ownership percentage: _____			
.2) Income (loss) of such Corporation	_____	_____	_____
112) At year end did any corporation, individual, partnership, trust or estate own directly or indirectly, 50% or more of the corporation's voting stock? If "yes":	_____	_____	_____
.1) Name: _____			
Address: _____			
ID#: _____			
Ownership percentage: _____			
.2) Was such owner a person other than a U.S. citizen?	_____	_____	_____
113) Do the shareholders owning 80% or more of this corporation own 80% or more of any other corporation(s)? If "yes," provide a copy of the other corporate tax returns.	_____	_____	_____
114) Is this corporation a shareholder of any controlled foreign corporation? If "yes," identify each corporation.	_____	_____	_____
115) Did the corporation at any time during the year have signature authority or an interest in a foreign bank account?	_____	_____	_____
116) Was the corporation the grantor, or transferor to a foreign trust during the year?	_____	_____	_____
117) During this taxable year, did the corporation pay dividends? If "yes," attach a schedule reflecting date declared, date paid, amount and form of payment (cash, other).	_____	_____	_____
118) Are any of the tax/accounting records maintained on a computerized system?	_____	_____	_____

CORPORATION TAX ORGANIZER (1120, 1120S)

YES NO N/A

119) List tax deposits below in order of date paid:

	Prior Year Applied	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Extension
FEDERAL						
Date Paid						
Amount	\$					
STATE						
Date Paid						
Amount	\$					

120) Attach a detailed listing of the activity for the tax year in the corporation's general ledger income tax accounts (asset, liability and expense).

121) Circle method of accounting for tax purposes:

Cash Accrual Other (Describe) _____

122) Did the corporation establish any new general ledger accounts during the year? If "yes," attach a list with a brief explanation of each new account.

123) Did the corporation post any entries to the retained earnings account during the year? If "yes," provide a detail of the activity.

124) Attach Forms 1099, 941, 940, and W-2's that have been filed.

125) Did the corporation have loans with shareholder(s) and other related parties during the tax year?

If "yes," attach a schedule indicating the amount of the loan, date of transaction, interest rate and payments. Also, attach a copy of the note if not previously provided.

126) Does the corporation do business in any other state? If "yes," list state returns required: _____

CORPORATION TAX ORGANIZER (1120, 1120S)

YES NO N/A

.1) Provide copies of supporting schedules reflecting the three factor (property, payroll, sales) multistate apportionment formula used to determine income.

.2) Provide a schedule showing any amounts for which there are known timing or treatment differences between federal and state reporting.

127) How many additional copies of the return do you need? _____

128) Is this a final return?

200) INCOME

201) Did the corporation receive interest from the following sources: If "yes," list total amount.

U.S. Agencies _____

Municipal tax exempt _____

U.S. Government _____

Municipal-private agency _____

202) Did the corporation sell any stocks, bonds, or securities during the year? If "yes," complete the following

Description of Securities Sold	Date Acquired	Cost or Basis Plus Selling Expenses	(Trade Date) Date Sold	Total Sales Price

203) Did the corporation own any stock or securities that became worthless during the year? If "yes," attach details.

CORPORATION TAX ORGANIZER (1120, 1120S)

YES NO N/A

204) Did the corporation sell any assets used in its business?

If "yes," attach a schedule listing:

- Description of asset sold
- Date sold
- Sales price
- Selling expenses
- Date acquired
- Original cost or basis
- Depreciation claimed in prior years

205) List detail of all items greater than \$ _____ in the miscellaneous income account.

Description	Amount

206) Did the corporation receive dividend income this year? If "yes," list dividend income by source:

.1)

Stock/Mutual Fund Name Stock Name	Amount of Dividend	Percent Owned if Over 20%

.2) If dividends are from mutual funds, attach the yearend statements.

CORPORATION TAX ORGANIZER (1120, 1120S)

YES NO N/A

207) Has the corporation made any sales qualifying for the installment method of reporting. If "yes," attach a copy of the agreement, the principal and interest received, and the beginning of the year and end of the year contract balances.

208) Did the corporation have any deferred income at yearend?
If "yes", attach a detailed schedule.

209) Were there any sales or exchanges during the year between the corporation and a shareholder? If "yes", attach a detailed listing.

210) Did the corporation engage in any bartering activity during the year?
If so, attach a schedule of all such activities.

300) DEDUCTIONS

301) Information regarding corporate officers:

Name	Social Security Number	% Time devoted to business	% Stock Owned		Compensation
			Common	Preferred	

CORPORATION TAX ORGANIZER (1120, 1120S)

YES NO N/A

302) Fiscal Year Personal Service Corporation's (PSC):

- .1) Is the corporation a PSC on a fiscal year?
If "yes," provide the following information:

Name of Officer/Shareholder	Compensation from Beg. of Fiscal Year to End of Calendar Year	Compensation from Beg. of Subsequent Calendar Year to End of Fiscal Year	Total Compensation

- .2) If the PSC has elected a fiscal year end, provide a copy of an approved election (Form 8716) if not previously provided.

- 303) Do the Uniform Capitalization Rules under Sec. 263A related to items such as inventory and construction apply? If "yes," provide copies of all schedules reflecting the calculation of the amount of general and administrative expenses required to be capitalized in ending inventory or associated with self constructed assets.**

304) List charitable contributions made or accrued during the year:

Organization	Amount

- .1) Did the corporation have an accrued charitable contribution at year end?
If "yes," attach a copy of minutes authorizing contribution.
- .2) Did the corporation make a charitable contribution of inventory or property? If "yes," attach detail.
- .3) Did the corporation make political contributions during this tax year?
If "yes," enter amount \$_____.
- a) Please note "Corporate political contributions" are illegal.

CORPORATION TAX ORGANIZER (1120, 1120S)

YES NO N/A

305) Does the corporation pay life insurance premiums (other than group term life) for officers of the corporation? If "yes," provide the following for each policy:

- | | |
|---|--|
| <ul style="list-style-type: none"> • Face amount • Insured • Policy owner • Beneficiary • Type of policy | <ul style="list-style-type: none"> • Premium paid • Cash surrender value at year end • Loan balance at year end • Interest paid on policy loan |
|---|--|

To which general ledger accounts have the payments been posted?

306) Did the corporation pay penalties/fines during the tax year? If "yes," list amount(s) and indicate the reason for the penalty/fine.

Description	Amount

307) Did the corporation acquire any assets during the tax year? If "yes," attach a list of assets purchased including the date placed in service, and a copy of the purchase invoice. Include any trade-in information.

308) Does the corporation wish to use accelerated depreciations methods?

309) Does the corporation own or lease any vehicles? If "yes," provide the following information for each vehicle (note certain exceptions may apply for companies with more than five vehicles):

- | | |
|--|--|
| <ul style="list-style-type: none"> • Vehicle description • Date placed in service • Business miles • Commuting miles | <ul style="list-style-type: none"> • Other personal miles • Total miles • Average daily round trip commuting distance |
|--|--|

.1) Does the corporation have evidence to support the business use claimed? If "yes," is the evidence written?

.2) Was the vehicle available for personal use during off-duty hours?

.3) Was the vehicle used primarily by a more than 5% owner or related person?

CORPORATION TAX ORGANIZER (1120, 1120S)

YES NO N/A

.4) Is another vehicle available for personal use?

.5) If the vehicle is leased provide:

- Date of lease
- Fair market value at inception
- Term of the lease
- Lease payments
- Copy of lease

310) Regarding corporate policy for vehicles:

.1) Does the corporation maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by employees?

.2) Does the corporation maintain a written policy statement that prohibits personal use of vehicles, excluding commuting, by employees?

.3) Does the corporation treat all use of vehicles by employees as personal use?

.4) Does the corporation provide more than five vehicles to employees and retain the information received from employees concerning the use of the vehicles?

.5) Does the corporation require or maintain copies of vehicle logs?

311) Are computers or other property used by employees for personal purposes?

If "yes," complete the following:

Description	Date Placed in Service	Business Use %	Cost of Basis

.1) Does the corporation have evidence to support the business use claimed?

.2) If "yes," is evidence written?

312) Did the corporation have any meal and/or entertainment expenses?

If "yes," which account(s) were these items posted to?

CORPORATION TAX ORGANIZER (1120, 1120S)

YES NO N/A

313) List below all items in the miscellaneous expense account greater than \$_____.

Description	Amount

314) Will all compensation related accruals (including vacation pay) be paid within 2 1/2 months of year end? If "no", provide details of unpaid amounts.

315) Are there any accruals to shareholder(s) at year end? If "yes," provide detail.

400) S CORPORATION ONLY

401) If this is the first year we will prepare the tax return, provide the S corporation approval from your file or your prior accountant.

402) If the corporation (1) filed its election to be an S corporation after December 31, 1986; and (2) was a C corporation prior to making the election, provide a copy of the schedule of net built-in gains.

403) Has the corporation elected a fiscal year end? If "yes," provide a schedule of tax deposits made.

404) Does the corporation engage in more than one trade or business activity? If "yes," list and note those started or acquired after 10/22/86?

405) Does the corporation engage in any rental activity? If "yes," list and note those started or acquired after 10/22/86.

406) Have fringe benefits paid on behalf of more than 2% shareholders (including but not limited to medical, life insurance, disability, housing, etc.) been included in shareholder's compensation, and included in payroll taxes? Indicate what accounts these amounts have been posted to.

407) Attach a list of all shareholders and provide the following information:

- Name
- Address
- ID#

CORPORATION TAX ORGANIZER (1120, 1120S)

YES NO N/A

.1) If ownership changed during the year, provide a schedule of changes.

408) Which shareholder is designated as the Tax Matters Person?

SAMPLE ENGAGEMENT LETTERS

This package contains samples of engagement letters to be used in connection with engagements to prepare income tax returns for:

- Individuals (Form 1040)
- Partnerships (Form 1065)
- Corporations (Form 1120)
- S-Corporations (Form 1120S)

In addition, there are several optional paragraphs that may be used in lieu of or to supplement the various sample engagement letters contained herein. These optional paragraphs include 1) substantial understatement penalty disclosures for each type of engagement letter, 2) a paragraph limiting the scope of the engagement, 3) a paragraph discussing client records, 4) a paragraph disclosing the use of an outside processing service, 5) a paragraph regarding outside disclosure for peer review programs, 6) a paragraph disclosing finance charges, 7) a paragraph discussing the negligence penalty, and 8) a paragraph offering the option of electronically filing the tax return. A sample letter for use in connection with a tax examination engagement is also provided.

These engagement letter samples are issued as drafts only and do not represent an official AICPA position. Practitioners using them retain responsibility for their final content. They should be reviewed carefully and changed as necessary for your particular use. In adapting these drafts to your particular needs you should be sure to consider the following:

- 1) AICPA Statements on Responsibilities in Tax Practice,
- 2) state requirements regarding disclosure of finance charges,
- 3) state Board of Accounting requirements pertaining to disclosure of the use of an outside service bureau,
- 4) the desirability of obtaining the signed affirmation of the client (or clients in the case of joint and consolidated returns) and
- 5) the need for a new engagement letter each year.
- 6) a paragraph disclosing late payment charges.

1040 INDIVIDUAL ENGAGEMENT LETTER

Dear Client:

We/I appreciate the opportunity of working with you and advising you regarding your income tax. The Internal Revenue Service imposes penalties upon taxpayers and return preparers for failure to observe due care in reporting for income tax returns. In order to ensure an understanding of our mutual responsibilities, we/I ask all clients for whom returns are prepared to confirm the following arrangements.

We/I will prepare your 199__ federal and requested state income tax returns from information which you will furnish to us/me. We/I will make no audit or other verification of the data you submit, although it may be necessary to ask you for clarification of some of the information. We/I will furnish you with questionnaires and/or worksheets to guide you in gathering the necessary information. Your use of such forms will assist in keeping the fee to a minimum.

It is your responsibility to provide all the information required for the preparation of complete and accurate returns. You should retain all the documents, canceled checks and other data that form the basis of income and deductions. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them.

Our/My work in connection with the preparation of your income tax returns does not include any procedures designed to discover defalcations or other irregularities, should any exist. We/I will render such accounting and bookkeeping assistance as determined to be necessary for preparation of the income tax returns.

We/I will use professional judgment in resolving questions where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions. Unless otherwise instructed by you, we/I will resolve such questions in your favor whenever possible.

The law provides various penalties that may be imposed when taxpayers understate their tax liability. If you would like information on the amount or the circumstances of these penalties, please contact us/me.

Your returns may be selected for review by the taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination, we/I will be available upon request to represent you and will render additional invoices for the time and expenses incurred.

Our/My fee for these services will be based upon the amount of time required at standard billing rates plus out-of-pocket expenses. All invoices are due and payable upon presentation.

If the foregoing fairly sets forth your understanding, please sign the enclosed copy of this letter in the space indicated and return it to our/my office. However, if there are other tax returns you expect us/me to prepare, such as gift and/or property, please inform us/me by noting so at the end of the return copy of this letter.

We/I want to express our appreciation for this opportunity to work with you.

Very truly yours,

Accepted By: _____

Date: _____

1065 - PARTNERSHIP TAX ENGAGEMENT LETTER

Dear Client:

This letter is to confirm and specify the terms of our/my engagement with (Name of Partnership) for the year ended (___) and to clarify the nature and extent of the services we/I will provide. Also, by sending you this engagement letter we/I have assumed that you are the person responsible for the tax matters of the partnership. If this is not a correct assumption, please furnish us/me with the name of the tax matters partner.

Our/My engagement will be designed to perform the following services:

1. Prepare the federal, state, and local income tax returns with supporting schedules.
2. Perform any bookkeeping we/I find necessary for preparation of the income tax returns.

Our/My work in connection with the preparation of your income tax returns does not include any procedures designed to discover defalcations or other irregularities, should any exist.

We/I will use our/my judgment in resolving questions where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions. Unless otherwise instructed by you, we/I will resolve such questions in your favor, whenever possible.

The law provides various penalties that may be imposed when taxpayers understate their tax liability. If you would like information on the amount or circumstances of these penalties, please contact us/me. Because a partnership is an entity whose tax attributes flow through to its partners, the penalty for substantial understatement of tax relating to partnership items may be imposed on the partner.

Management is responsible for the proper recording of transactions in the books of accounts, for the safeguarding of assets, and for the substantial accuracy of the financial records. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign and file them.

Your returns may be selected for review by the taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination, we/I will be available upon request to represent you and will render additional invoices for the time and expenses incurred.

Our/My fee for these services will be based upon the amount of time required at standard billing rates plus out-of-pocket expenses. All invoices are due and payable upon presentation.

If the foregoing fairly sets forth your understanding, please sign the enclosed copy of this letter in the space indicated and return it to our/my office. However, if there are any additional returns you expect us/me to prepare, please note this at the end of the returned copy of this letter, just below your signature.

We/I want to express our/my appreciation for this opportunity to work with you.

Very truly yours,

Accepted By: _____

Title: _____

Date: _____

1120 - CORPORATION ENGAGEMENT LETTER

Dear Client:

This letter is to confirm and specify the terms of our/my engagement with (Name of corporation) for the year ended (____) and to clarify the nature and extent of the services we/I will provide. Also, by sending you this engagement letter we/I have assumed that you are the person responsible for the tax matters of the corporation. If this is not a correct assumption, please furnish us/me with the name of the individual with whom this work should be coordinated.

Our/My engagement will be designed to perform the following services:

1. Prepare the federal, state, and local income tax returns with supporting schedules.
2. Perform any bookkeeping we/I find necessary for preparation of the income tax returns.

Our/My work in connection with the preparation of your income tax returns does not include any procedures designed to discover defalcations or other irregularities, should any exist.

We/I will use our/my judgment in resolving questions where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions. Unless otherwise instructed by you, we/I will resolve such questions in your favor whenever possible.

The law provides various penalties that may be imposed when taxpayers understate their tax liability. If you would like information on the amount or circumstances of these penalties, please contact us/me.

Management is responsible for the proper recording of transactions in the books of accounts, for the safeguarding of assets, and for the substantial accuracy of the financial records. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign and file them.

Your returns may be selected for review by the taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination, we/I will be available upon request to represent you and will render additional invoices for the time and expenses incurred.

Our/My fee for these services will be based upon the amount of time required at standard billing rates plus out-of-pocket expenses. All invoices are due and payable upon presentation.

If the foregoing fairly sets forth your understanding, please sign the enclosed copy of this letter in the space indicated and return it to our/my office. However, if there are any additional returns you expect us/me to prepare, please note this at the end of the returned copy of this letter, just below your signature.

We/I want to express our appreciation for this opportunity to work with you.

Very truly yours,

Accepted By: _____

Title: _____

Date: _____

1120S - S-CORPORATION ENGAGEMENT LETTER

Dear Client:

This letter is to confirm and specify the terms of our/my engagement with (Name of S Corporation) for the year ended (____) and to clarify the nature and extent of the services we/I will provide. Also, by sending you the engagement letter, we/I have assumed that you are the person responsible for the tax matters of the corporation. If this is not a correct assumption, please furnish us/me with the name of the tax matters person.

Our/My engagement will be designed to perform the following services:

1. Prepare the federal, state, and local income tax returns with supporting schedules.
2. Perform any bookkeeping we/I find necessary for preparation of the income tax returns.

Our/My work in connection with the preparation of your income tax returns does not include any procedures designed to discover defalcations or other irregularities, should any exist.

We/I will use our/my judgment in resolving questions where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions. Unless otherwise instructed by you, we/I will resolve such questions in your favor whenever possible.

The law provides various penalties that may be imposed when taxpayers understate their tax liability. If you would like information on the amount or circumstances of these penalties, please contact us/me. Because an S Corporation is an entity whose tax attributes generally flow through to its shareholders, the penalty for substantial understatement of tax relating to S Corporation items may be imposed at either the corporate or shareholder level.

Management is responsible for the proper recording of transactions in the books of accounts, for the safeguarding of assets, and for the substantial accuracy of the financial records. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign and file them.

Your returns may be selected for review by the taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination, we/I will be available upon request to represent you and will render additional invoices for the time and expenses incurred.

Our/My fee for these services will be based upon the amount of time required at standard billing rates plus out-of-pocket expenses. All invoices are due and payable upon presentation.

If the foregoing fairly sets forth your understanding, please sign the enclosed copy of this letter in the space indicated and return it to our office. However, if there are additional returns you expect us/me to prepare, please note this at the end of the returned copy of this letter, just below your signature.

We/I want to express our/my appreciation for this opportunity to work with you.

Very truly yours,

Accepted By: _____

Title: _____

Date: _____

OPTIONAL PARAGRAPHS FOR INCLUSION IN TAX ENGAGEMENT LETTERS

A) Substantial Understatement Penalty Disclosures

1. For Individuals:

The law provides for a penalty to be imposed where a taxpayer makes a substantial understatement of their tax liability. For individual taxpayers, a substantial understatement exists when the understatement for the year exceeds the greater of 10 percent of the tax required to be shown on the return, or \$5,000. The penalty is 20 percent of the tax underpayment. Taxpayers may seek to avoid all or part of the penalty by showing (1) that they acted in good faith and there was reasonable cause for the understatement, (2) that the understatement was based on substantial authority, or (3) that the relevant facts affecting the item's tax treatment were adequately disclosed on Form 8275 of the return. You agree to advise us/me if you wish disclosure to be made in your returns or if you desire us/me to identify or perform further research with respect to any material tax issues for the purpose of ascertaining whether, in our/my opinion, there is "substantial authority" for the position proposed to be taken on such issue in your returns.

2. For Partnerships:

The law provides for a penalty to be imposed where a taxpayer makes a substantial understatement of their tax liability. For partnerships and individual taxpayers, a substantial understatement exists when the understatement for the year exceeds the greater of 10 percent of the tax required to be shown on the return, or \$5,000. The penalty is 20 percent of the tax underpayment. Taxpayers other than "tax shelters" may seek to avoid all or part of the penalty by showing (1) that they acted in good faith and there was reasonable cause for the understatement, (2) that the understatement was based on substantial authority, or (3) that the relevant facts affecting the item's tax treatment were adequately disclosed on Form 8275 of the return. A taxpayer is considered a "tax shelter" if its principal purpose is to avoid federal income tax. Because a partnership is an entity whose tax attributes flow through to its partners, the penalty for substantial understatement of tax relating to partnership items may be imposed on the partner. You agree to advise us/me if you wish disclosure to be made in

your returns or if you desire us/me to identify or perform further research with respect to any material tax issues for the purpose of ascertaining whether, in our/my opinion, there is "substantial authority" for the position proposed to be taken on such issue in your returns.

3. For C Corporations:

The law provides for a penalty to be imposed where a taxpayer makes a substantial understatement of their tax liability. For corporate taxpayers, a substantial understatement exists when the understatement for the year exceeds the greater of 10 percent of the tax required to be shown on the return, or \$10,000. The penalty is 20 percent of the tax underpayment. Taxpayers may seek to avoid all or part of the penalty by showing (1) that they acted in good faith and there was reasonable cause for the understatement, (2) that the understatement was based on substantial authority, or (3) that the relevant facts affecting the item's tax treatment were adequately disclosed on Form 8275 of the return. You agree to advise us/me if you wish disclosure to be made in your returns or if you desire us/me to identify or perform further research with respect to any material tax issues for the purposes of ascertaining whether, in our/my opinion, there is "substantial authority" for the position proposed to be taken on such issue in your returns.

4. For S Corporations:

The law provides for a penalty to be imposed where a taxpayer makes a substantial understatement of their tax liability. For S Corporations and individual taxpayers, a substantial understatement exists when the understatement for the year exceeds the greater of 10 percent of the tax required to be shown on the return, or \$5,000. The penalty is 20 percent of the tax underpayment. Taxpayers other than "tax shelters" may seek to avoid all or part of the penalty by showing (1) that they acted in good faith and there was reasonable cause for the understatement, (2) that the understatement was based on substantial authority, or (3) that the relevant facts affecting the item's tax treatment were adequately disclosed on Form 8275 of the return. A taxpayer is considered a "tax shelter" if its principal purpose is to avoid Federal income tax. Because an S Corporation is an entity whose tax attributes generally flow through to its shareholders, the penalty for substantial understatement of tax relating to S Corporation items may be imposed at either the corporate or shareholder level. You

agree to advise us/me if you wish disclosure to be made in your returns or if you desire us/me to identify or perform further research with respect to any material tax issues for the purpose of ascertaining whether, in our/my opinion, there is "substantial authority" for the position proposed to be taken on such issue in your returns.

- B) The engagement does not include any services not specifically stated in this letter. However, we/I would be pleased to consult with you regarding the income tax matters such as proposed or completed transactions, income tax projections, and for research in connection with such matters. We/I will render additional invoices for such services at our/my normal billing rates.
- C) You represent that the information you are supplying to us/me is accurate and complete to the best of your knowledge and that your expenses for meals, entertainment, travel, gifts and vehicle use are supported by records as required by law. We/I will not verify the information you give us/me. However, we/I may ask you for clarification of some of the information.
- D) Your tax return will be processed by an outside tax computer processing center. Please advise us/me if you prefer that we/I request extra security or forego the outside processing altogether.
- E) We/I subscribe to a program of peer review for maintenance of quality control in our/my office. As part of this program, your return may be selected for review by other CPAs under strict rules of confidentiality. Your acceptance below constitutes your agreement for disclosure under the program.
- F) A late payment charge of ____ percent per month will be assessed on any unpaid balance after deduction of current payments, credits, and allowances made within 30 days of date of billing. This is an Annual Percentage Rate of ____ percent.
- G) The law provides for a penalty of 20 percent to be imposed on any underpayment that results from negligence or disregard of rules or regulations. Negligence "includes any failure to make a reasonable attempt to comply ..." with the code. Disregard "includes any careless, reckless or intentional disregard". Taxpayers may seek to avoid all or part of the penalty by showing they acted in good faith and can demonstrate reasonable cause for the understatement.

- (H) You may choose to have us/me file your return electronically with the Internal Revenue Service Center. You must review and sign the return before it can be electronically transmitted. According to the Internal Revenue Service taxpayers can expect to receive their refunds three to four weeks sooner by filing electronically. However, we/I are/am not responsible for the length of time it takes the IRS to process your return. Our/my fee for this service is _____.

TAX EXAMINATION ENGAGEMENT LETTER

Dear Client:

You have asked our/my Firm to review prior tax returns and represent you during the examination by (tax authority) for the year(s) ended xxxx, xxxx, and xxxx.

Our/My fee for these services will be based upon the amount of time required at our/my standard billing rates plus out-of-pocket expenses. All invoices are due and payable upon presentation. We/I will bill you for our/my services on a monthly basis.

If the foregoing fairly sets forth your understanding, please sign the enclosed copy of this letter and power of attorney and return them to us/me.

Very truly yours,

Accepted By: _____

Title: _____

Date: _____

1040 - INDIVIDUAL TRANSMITTAL LETTER

(Date) _____

(Taxpayer) _____

(Address) _____

Dear (Taxpayer) :

Please find originals and copies of your 19XX federal, (State), and (Local) individual income tax returns. The copies are for your files. The originals are to be filed as follows:

FORM 1040 - The original return should be signed and dated by you/both of you and mailed on or before (Date) to:

Internal Revenue Service
(Center Address)

- ☐ The return shows no balance due and no refund.
- ☐ The return shows a balance due of \$_____. Attach a check payable to 'Internal Revenue Service' for this amount to your return, noting your social security number and '19XX Form 1040' on your check.
- ☐ The return shows an over payment of \$_____, of which \$_____ will be credited to your estimated tax for 19XX and \$_____ will be refunded to you.

FORM (STATE) - The original return should be signed and dated by you/both of you and mailed on or before (Date) to:

(Agency)

(Address)

- ☐ The return shows no balance due and no refund.
- ☐ The return shows a balance due of \$_____. A check payable to (Payee) in this amount should be attached to/enclosed with your return. Your social security number and '19XX Form _____' should be noted on your check.
- ☐ The return shows an overpayment of \$_____, of which \$_____ will be credited to your estimated tax for 19XX and \$_____ will be refunded to you.

FORM (LOCAL) - The original return should be signed and dated by you/both of you and mailed on or before (Date) to:

(Agency)

(Address)

- ☐ The return shows no balance due and no refund.
- ☐ The return shows a balance due of \$_____. A check payable to (Payee) in this amount should be attached to/enclosed with your return. Your social security number and '19XX Form _____' should be noted on your check.

- ☐ The return shows an overpayment of \$_____, of which \$_____ will be credited to your estimated tax for 19XX and \$_____ will be refunded to you.

These returns were prepared from information you furnished to us/me. Before signing and filing these returns you should review them carefully to be sure that there are no omissions or misstatements.

Your returns are subject to review by federal, state and local taxing agencies. Upon examination, requests may be made for supporting documentation. Accordingly, we/I recommend that you retain your tax records for a period of at least ____ years.

Please contact us/me immediately if you receive any notification from federal, state or local taxing agencies regarding your tax returns.

Also enclosed are originals and copies of your federal, (State) and (Local) estimated tax payment vouchers for 19XX/the tax year ending (Date). The copies are for your files. The originals are to be filed as follows:

FEDERAL ESTIMATES

On or before each due date shown below, mail the respective voucher to:

Internal Revenue Service

(Address)

Enclose a check payable to 'Internal Revenue Service' in the amount indicated, noting your social security number and '19XX Form 1040-ES on your check.

	Due Date	Amount
Overpayment Applied		\$
First Quarter	April 15, 1993	\$
Second Quarter	June 15, 1993	\$
Third Quarter	September 15, 1993	\$
Fourth Quarter	January 17, 1994	\$
TOTAL		\$

(STATE) ESTIMATES

On or before each due date shown below, mail the respective voucher to:

(Agency)

(Address)

Enclose a check payable to (Payee) in the amount indicated, noting your social security number and '19XX Form ____' on your check.

	Due Date	Amount
Overpayment Applied		\$
First Quarter		\$
Second Quarter		\$
Third Quarter		\$
Fourth Quarter		\$
TOTAL		\$

(LOCAL) ESTIMATES

On or before each due date shown below, mail the respective voucher to:

(Agency)

(Address)

Enclose a check payable to (Payee) in the amount indicated, noting 'Form ,' tax period ending (Date) , and your (Local) identification number on the check.

	Due Date	Amount
Overpayment Applied		\$
First Quarter		\$
Second Quarter		\$
Third Quarter		\$
Fourth Quarter		\$
TOTAL		\$

Your 19XX estimated tax payments were calculated based on taxable income of \$ / your 19XX taxable income and federal and state tax withholding of \$ and \$, respectively/the same as 19XX. According to current income tax regulations, it is possible that your second, third, and fourth quarter estimates do not qualify for the former safe harbor provisions. Therefore, you should contact us/me immediately if there is an increase in taxable income for any of these quarters. As in the past, you should contact us/me concerning any changes in withholding.

We/I appreciate this opportunity to be of service to you. Please contact us/me should you have any questions regarding the enclosed returns or if we/I can be of any further assistance.

Very truly yours,

(Preparer)

1065 - PARTNERSHIP TRANSMITTAL LETTER

(Date) _____

(Taxpayer) _____

(Address) _____

Dear (Taxpayer) :

Please find originals and copies of your federal, (State), and (Local) partnership income tax returns for 19XX/the year ended (Date). The copies are for your files. The originals are to be filed as follows:

FORM 1065 - The original return should be signed and dated by a general partner of the Partnership and mailed on or before Date to:

Internal Revenue Service
(Center Address)

The return shows no balance due and no refund.

FORM (STATE) - The original return should be signed and dated by a general partner of the Partnership and mailed on or before (Date) to:

(Agency)
(Address)

The return shows no balance due and no refund.

FORM (LOCAL) - The original return should be signed and dated by a general partner of the Partnership and mailed on or before (Date) to:

(Agency)
(Address)

The return shows no balance due and no refund.

Also enclosed is a Schedule K-1 for each partner. Please distribute the Schedule K-1's to the respective partners immediately.

These returns were prepared from information you furnished to us/me. Before signing and filing these returns you should review them carefully to be sure that there are no omissions or misstatements.

Your returns are subject to review by federal, state, and local taxing agencies. Upon examination, requests may be made for supporting documentation. Accordingly, we/I recommend that you retain your tax records for a period of at least years.

Please contact us/me immediately if you receive any notification from federal, state, or local taxing agencies regarding your tax returns.

We/I appreciate this opportunity to be of service to you. Please contact us/me should you have any questions regarding the enclosed returns or if we/I can be of any further assistance.

Very truly yours,
(Preparer)

1120 - CORPORATION TRANSMITTAL LETTER

(Date)

(Taxpayer)

(Address)

Dear (Taxpayer) :

Please find originals and copies of your federal, (State), and (Local) corporation income/franchise tax returns for 19XX/the year ended (Date). The copies are for your files. The originals are to be filed as follows:

FORM 1120 - The original return should be signed and dated by an authorized officer of the Corporation and mailed on or before (Date) to:

Internal Revenue Service

(Center Address)

- ☐ The return shows no balance due and no refund.
- ☐ The return shows a balance due of \$_____. Deposit this amount at a qualifying financial institution along with a completed Form 8109, 'Federal Tax Deposit Coupon,' on or before (Date). Be sure to darken the '1120' box for type of tax and the '4th Quarter' box for tax period on the Deposit Coupon. On the check indicate 'Form 1120,' tax period ended (Date), and your employer identification number.
- ☐ The return shows an overpayment of \$_____, of which \$_____ will be refunded to you and \$_____ will be credited to your estimated tax for 19XX/the tax year ending (Date).

FORM (STATE) - The original return should be signed and dated by an authorized officer of the Corporation and mailed on or before (Date) to:

(Agency)

(Address)

- ☐ The return shows no balance due and no refund.
- ☐ The return shows a balance due of \$_____. A check payable to (Payee) in this amount should be attached to/enclosed with the return. 'Form _____,' tax period ended (Date), and your (State) identification number should be noted on the check.
- ☐ The return shows an overpayment of \$_____, of which \$_____ will be refunded to you and \$_____ will be credited to your estimated tax for 19XX/the tax year ending (Date).

FORM (LOCAL) - The original return should be signed and dated by an authorized officer of the Corporation and mailed on or before (Date) to:

(Agency)

(Address)

- ☐ The return shows no balance due and no refund.
- ☐ The return shows a balance due of \$ _____. A check payable to _____ (Payee) in this amount should be attached to/enclosed with your return. 'Form _____,' tax period ended (Date) _____, and your (Local) identification number should be noted on the check.
- ☐ The return shows an overpayment of \$ _____, of which \$ _____ will be refunded to you and \$ _____ will be credited to your estimated tax for 19XX/the tax year ending (Date).

These returns were prepared from information you furnished to us/me. Before signing and filing these returns you should review them carefully to be sure that there are no omissions or misstatements.

Your returns are subject to review by federal, state and local taxing agencies. Upon examination, requests may be made for supporting documentation. Accordingly, we/I recommend that you retain your tax records for a period of at least ____ years.

Please contact us/me immediately if you receive any notification from federal, state, or local taxing agencies regarding your tax returns.

Also enclosed are originals and copies of your federal, _____ (State) and _____ (Local) estimated tax payment vouchers for 19XX/the tax year ending (Date). The copies are for your files. The originals are to be filed as follows:

FEDERAL ESTIMATES

On or before each due date shown below, deposit the respective amount along with a completed Form 8109, 'Federal Tax Deposit Coupon' at an authorized financial institution. Be sure to darken the '1120' box for type of tax and the '1st Quarter' box for tax period on the Deposit Coupon. On the check indicate 'Form 1120,' tax period ending _____ (Date) _____, and your employer identification number.

	Due Date	Amount
Overpayment Applied		\$ _____
First Quarter		\$ _____
Second Quarter		\$ _____
Third Quarter		\$ _____
Fourth Quarter		\$ _____
TOTAL		\$ _____

(STATE) ESTIMATES

On or before each due date shown below, mail the respective voucher to:

(Agency)

(Address)

Enclose a check payable to (Payee) in the amount indicated, noting 'Form ,' tax period ending (Date) , and your (State) identification number on the check.

	Due Date	Amount
Overpayment Applied		\$
First Quarter		\$
Second Quarter		\$
Third Quarter		\$
Fourth Quarter		\$
TOTAL		\$

(LOCAL) ESTIMATES

On or before each due date shown below, mail the respective voucher to:

 (Agency)
 (Address)

Enclose a check payable to (Payee) in the amount indicated, noting 'Form ,' tax period ending (Date) , and your (Local) identification number on the check.

	Due Date	Amount
Overpayment Applied		
First Quarter		\$
Second Quarter		\$
Third Quarter		\$
Fourth Quarter		\$
TOTAL		\$

Your estimated tax payments for 19XX/the tax year ending (date) were calculated using taxable income of \$ /the same as 19XX/the tax year ended (date). If your situation changes, contact us/me immediately to determine if your estimated payments need to be revised.

We/I appreciate this opportunity to be of service to you. Please contact us/me should you have any questions regarding the enclosed returns or if we/I can be of any further assistance.

Very truly yours,

(Preparer)

1120S - S CORPORATION TRANSMITTAL LETTER

(Date)

(Taxpayer)

(Address)

Dear (Taxpayer) :

Please find originals and copies of your federal, (State), and (Local) S Corporation income/franchise tax returns for 19XX/the year ended (Date). The copies are for your files. The originals are to be filed as follows:

FORM 1120S - The original return should be signed and dated by an authorized officer of the Corporation and mailed on or before (Date) to:

Internal Revenue Service
(Center Address)

- ☐ The return shows no balance due and no refund.
- ☐ The return shows a balance due of \$_____. Deposit this amount at a qualifying financial institution along with a completed Form 8109, 'Federal Tax Deposit Coupon', on or before (Date). Be sure to darken the '1120' box for type of tax and the '4th Quarter' box for tax period on the Deposit Coupon. On the check indicate 'Form 1120S,' tax period ended (Date), and your employer identification number.
- ☐ The return shows an overpayment of \$_____, of which \$_____ will be refunded to you and \$_____ will be credited to your estimated tax for 19XX/the tax year ending (Date).

FORM (STATE) - The original return should be signed and dated by an authorized officer of the Corporation and mailed on or before (Date) to:

(Agency)
(Address)

- ☐ The return shows no balance due and no refund.
- ☐ The return shows a balance due of \$_____. A check payable to (Payee) in this amount should be attached to/enclosed with the return. 'Form __,' tax period ended (Date), and your (State) identification number should be noted on the check.
- ☐ The return shows an overpayment of \$_____, of which \$_____ will be refunded to you and \$_____ will be credited to your estimated tax for 19XX/the tax year ending (Date).

FORM (LOCAL) - The original return should be signed and dated by an authorized officer of the Corporation and mailed on or before (Date) to:

(Agency)
(Address)

- ☐ The return shows no balance due and no refund.
- ☐ The return shows a balance due of \$ _____. A check payable to _____ (Payee) in this amount should be attached to/enclosed with your return. 'Form ____' tax period ended (Date) ____, and your (Local) identification number should be noted on the check.
- ☐ The return shows an overpayment of \$ _____, of which \$ _____ will be refunded to you and \$ _____ will be credited to your estimated tax for 19XX/the tax year ending (Date).

Also enclosed is a Schedule K-1 for each shareholder. Please distribute the Schedule K-1's to the respective shareholders immediately.

These returns were prepared from information you furnished to us/me. Before signing and filing these returns you should review them carefully to be sure that there are no omissions or misstatements.

Your returns are subject to review by federal, state, and local taxing agencies. Upon examination, requests may be made for supporting documentation. Accordingly, we/I recommend that you retain your tax records for a period of at least ____ years.

Please contact us/me immediately if you receive any notification from federal, state, or local taxing agencies regarding your tax returns.

Also enclosed are originals and copies of your federal, (State) and (Local) estimated tax payment vouchers for 19XX/the tax year ending (Date). The copies are for your files. The originals are to be filed according to the enclosed instructions.

FEDERAL ESTIMATES

On or before each due date shown below, deposit the respective amount along with a completed Form 8109, 'Federal Tax Deposit Coupon' at an authorized financial institution. Be sure to darken the '1120' box for type of tax and the '1st Quarter' box for tax period on the Deposit Coupon. On the check indicate 'Form 1120,' tax period ending (Date) ____, and your employer identification number.

	Due Date	Amount
Overpayment Applied		
First Quarter		\$
Second Quarter		\$
Third Quarter		\$
Fourth Quarter		\$
TOTAL		\$

(STATE) ESTIMATES

On or before each due date shown below, mail the respective voucher to:

(Agency)

(Address)

Enclose a check payable to (Payee) in the amount indicated, noting 'Form ,' tax period ending (Date) , and your (State) identification number on the check.

	Due Date	Amount
Overpayment Applied		\$
First Quarter		\$
Second Quarter		\$
Third Quarter		\$
Fourth Quarter		\$
TOTAL		\$

(LOCAL) ESTIMATES

On or before each due date shown below, mail the respective voucher to:

 (Agency)
 (Address)

Enclose a check payable to (Payee) in the amount indicated, noting 'Form ,' tax period ending (Date) , and your (Local) identification number on the check.

	Due Date	Amount
Overpayment Applied		
First Quarter		\$
Second Quarter		\$
Third Quarter		\$
Fourth Quarter		
TOTAL		\$

Your estimated tax payments for 19XX/the tax year ending (date) were calculated using taxable income of \$ /the same as 19XX/the tax year ended (date). If your situation changes, contact us/me immediately to determine if your estimate payments need to be revised.

We/I appreciate this opportunity to be of service to you. Please contact us/me should you have any questions regarding the enclosed returns or if we/I can be of any further assistance.

Very truly yours,

(Preparer)

OPTIONAL PARAGRAPHS FOR INCLUSION IN TRANSMITTAL LETTERS

A) Responsibility for Subsequent Year Estimates With Zero Current Year Tax Liability

Your tax return(s) for 1992/the tax year ended _____ (date) _____ reflected no tax. Please be aware that for 1993/the tax year ending _____ (date) _____ if a tax liability is anticipated, 95% of the total tax liability must be paid by timely quarterly estimated tax payments to avoid underpayment penalties. Accordingly, interim financial data must be provided to us/me prior to the quarterly due dates if you would like us/me to calculate the required payments. Should you have any questions regarding this provision, please contact us/me.

B) Responsibility for Current Year Individual Estimates When Safe Harbor Provisions Do Not Apply

Your return for 1992 contained certain characteristics which eliminate the possibility of using prior year tax as a safe harbor for the second, third and fourth quarter estimated tax payments. Therefore, you are required to remit 90% of your annualized tax liability for each of these quarters or subject yourself to the underpayment penalties. If you expect us/me to calculate these quarterly estimated payments for you, interim financial data must be provided to us/me before the quarterly due dates.

C) Estimated Tax Responsibilities for Certain Corporations

Your return for 1992 either reflected no taxable income or a short year, or you had taxable income of \$1,000,000 or more for any of the three previous years. Therefore, you cannot utilize the 100% of prior year tax safe harbor provisions in meeting your quarterly estimated tax responsibilities. Accordingly, you are required to make quarterly estimated tax payments equalling 93% of your quarterly tax liability. If there are any questions concerning the calculation of these quarterly payments, please contact us/me immediately.

D) Retirement Plan Contributions

1. For Individuals

We/I have reported (a) contribution(s) to your Individual Retirement Account(s) on the enclosed tax returns as follows:

(Taxpayer) _____	\$ _____
(Spouse) _____	\$ _____

If not already made, the contribution(s) must be made on or before April 15, 19XX.

We/I have reported (a) contribution(s) to your Keogh/SEP retirement plan(s) on the enclosed tax returns as follows:

(Keogh) _____	\$ _____
(SEP) _____	\$ _____

If not already made, the contribution(s) must be made on or before (Date - due date of the federal return, including extensions).

2. For Businesses

We/I have reported (a) contribution(s) to your qualified retirement plan(s) on the enclosed tax returns as follows:

<u>(Profit Sharing Plan)</u>	\$ _____
<u>(Money Purchase Pension Plan)</u>	\$ _____
<u>(Defined Benefit Pension Plan)</u>	\$ _____
<u>(Target Benefit Pension Plan)</u>	\$ _____
<u>(Other)</u>	\$ _____

If not already made, the contribution(s) must be made on or before (Date - due date of the federal return, including extensions).

E) Client Representation

Recent legislation specifically reinforces that you, the taxpayer, are responsible for the accuracy of your returns. Although we/I have been engaged to prepare your returns, you are ultimately responsible for them. We/I have prepared your returns using the information that you provided. We/I have not audited or independently verified the data you furnished, although we/I may have asked for further clarification on some of the information. Accordingly, you should examine the enclosed returns carefully before signing and filing them.

If there is anything on the returns that you do not understand, ask us/me to explain. It is important to ensure that the returns are true and accurate to the best of your knowledge.

NEW CLIENT WELCOME LETTER

(Date) _____

(Taxpayer) _____

(Address) _____

Dear _____ (Taxpayer) _____:

We/I would like to welcome you as a client of our/my firm. We/I will work on your behalf to earn the confidence you have shown in us/me by selecting our/my firm.

We/I would like to begin setting up your file. Accordingly, please forward copies of the following documents to our/my attention:

Select Items To Be Requested

_____ From your corporate record book:

Articles of Incorporation and Bylaws

Minutes

Stock register

_____ Partnership agreement

_____ Depreciation schedules

_____ Tax returns for _____, _____, and _____/the years
ended _____, _____ and _____

_____ Financial statements for the year(s) ended _____, _____, and _____.

_____ Buy/sell agreement(s)

_____ Employment agreement(s)

_____ Lease agreement(s)

_____ Loan agreement(s)

_____ Tax elections and related approvals

Thank you again for choosing us/me to service your accounting, tax and related needs. We/I look forward to a long and mutually satisfying relationship. Should you have any questions or concerns regarding your account or our/my services, please feel free to contact us/me.

Sincerely,

(Preparer)

TAX RETURN ROUTING SCHEDULE

This form was designed to accompany the tax return and related file through all stages of preparation and review. Its uses include monitoring the status of the return, budgeting, billing, and tracking carryover items for preparation of the subsequent year return(s).

In designing this form, consideration was given to practitioners who prepare returns manually, with the aid of a service bureau or on in-house computer systems. Accordingly, this form may include references not applicable to your individual circumstances and should be edited to suit your specific needs.

The routing section of the form may be used to aid in scheduling of staff and management of available hours. In addition, the budget figures provide a guideline for assigned personnel and may assist the preparer in providing an estimate to the client, upon request.

The subsequent year estimated tax payment section may be used as a tickler system for sending estimate reminders to clients and may be utilized in preparing the subsequent year return to determine deductions and total payments/credits. The reference to prior year tax is a reminder to check the applicable exception to underpayment penalty.

The carryover section includes some items that may require the practitioner to maintain detail supporting schedules, such as suspended losses. In these cases the routing schedule is designed only to provide a total or summary of the underlying detail. The listing of items is not intended to be complete. Accordingly, space is provided to note additional items applicable to specific clients.

TAX RETURN ROUTING SCHEDULE

CLIENT NAME/NUMBER _____ TAX YEAR _____

TYPE OF RETURN _____ STATE/LOCAL RETURN(S) REQUESTED _____

DUE DATE _____ EXTENDED DUE DATE _____

DATE DATA RECEIVED FROM CLIENT _____ TARGET COMPLETION DATE _____

IN-CHARGE _____ SIGNER _____ ENGAGEMENT LETTER SIGNED _____

	<u>Assigned to/ Target Date</u>	<u>Initial/Date</u>	<u>Actual Time/Cost</u>	<u>Budget Time/Cost</u>
Client Interview	_____	_____	_____	_____
Preparation	_____	_____	_____	_____
Math Check	_____	_____	_____	_____
Forms Input Review	_____	_____	_____	_____
To Computer Processing	_____	_____	_____	_____
Data Entry/Typing	_____	_____	_____	_____
Returned from Computer Processing	_____	_____	_____	_____
Forms Output Review	_____	_____	_____	_____
Technical Review	_____	_____	_____	_____
Assembly	_____	_____	_____	_____
Signature	_____	_____	_____	_____
Mail/Pick-Up/Delivery (Circle One)	_____	_____	_____	_____
Estimate Reminder Log Updated	_____	_____	_____	_____
Total	_____	_____	_____	_____

<u>BILLING</u>	<u>Time Charges</u>	<u>Computer Charges</u>	<u>Out-of-Pocket</u>	<u>Total</u>	<u>Billing</u>
Prior Year	_____	_____	_____	_____	_____
Current Year	_____	_____	_____	_____	_____

CURRENT ESTIMATED TAX PAYMENTS

	<u>Federal</u>		<u>State</u>	
	<u>Due Date</u>	<u>Amount</u>	<u>Due Date</u>	<u>Amount</u>
1st Quarter	_____	_____	_____	_____
2nd Quarter	_____	_____	_____	_____
3rd Quarter	_____	_____	_____	_____
4th Quarter	_____	_____	_____	_____
Prior Year Overpayment		_____		_____
Applied		_____		_____
Total Estimates		_____		_____
Prior Year Tax		_____		_____

CARRYOVERS TO - 19XX

	<u>Federal</u>	<u>State</u>
AMT Credit	_____	_____
Basis Limitations	_____	_____
Foreign Tax Credit	_____	_____
Capital Loss, long-term	_____	_____
Capital Loss, short-term	_____	_____
Contributions	_____	_____
General Business Credit	_____	_____
Suspended Loss (PAL)	_____	_____
Net Operating Loss	_____	_____
Other	_____	_____

SPECIAL INSTRUCTIONS/BUDGET EXCEPTIONS:

TAX RETURN ROUTING SCHEDULE

CLIENT NAME/NUMBER _____ TAX YEAR _____

TYPE OF RETURN _____ STATE/LOCAL RETURN(S) REQUESTED _____

DUE DATE _____ EXTENDED DUE DATE _____

DATE DATA RECEIVED FROM CLIENT _____ TARGET COMPLETION DATE _____

IN-CHARGE _____ SIGNER _____ ENGAGEMENT LETTER SIGNED _____

	<u>Assigned to/ Target Date</u>	<u>Initial/Date</u>	<u>Actual Time/Cost</u>	<u>Budget Time/Cost</u>
Client Interview	_____	_____	_____	_____
Preparation	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Math Check	_____	_____	_____	_____
Forms Input Review	_____	_____	_____	_____
To Computer Processing/Typing	_____	_____	_____	_____
Data Entry/Typing	_____	_____	_____	_____
From Computer Processing/Typing	_____	_____	_____	_____
Forms Output Review	_____	_____	_____	_____
Technical Review	_____	_____	_____	_____
Assembly	_____	_____	_____	_____
Signature	_____	_____	_____	_____
Mail/Pick-Up/Delivery (Circle One)	_____	_____	_____	_____
Estimate Reminder Log Updated	_____	_____	_____	_____
Total			_____	_____

<u>BILLING</u>	<u>Time Charges</u>	<u>Computer Charges</u>	<u>Out-of-Pocket</u>	<u>Total</u>	<u>Billing</u>
Prior Year					
Current Year					

=====

CURRENT ESTIMATED TAX PAYMENTS

CARRYOVERS TO - 19XX

		<u>Federal</u>		<u>State</u>			<u>Federal</u>	<u>State</u>
		<u>Due Date</u>	<u>Amount</u>	<u>Due Date</u>	<u>Amount</u>			
						AMT Credit		
						Basis Limitations		
1st Quarter						Foreign Tax Credit		
2nd Quarter						Capital Loss, long-term		
3rd Quarter						Capital Loss, short-term		
4th Quarter						Contributions		
Prior Year Overpayment Applied						General Business Credit		
						Suspended Loss (PAL)		
Total Estimates						Net Operating Loss		
Prior Year Tax						Other		

=====

SPECIAL INSTRUCTIONS/BUDGET EXCEPTIONS:

CLIENT REVIEW FOR ADDITIONAL SERVICES

This form was designed to assist practitioners in providing more complete service to their clients and increase billings from their existing client base. It is anticipated that any individual working on the account may initiate the review as different levels of personnel are likely to provide differing perspectives. The procedure may be performed on an annual basis, perhaps in conjunction with the year-end, and may then be suspended to be addressed at a more convenient time of the year. The completed form may then be routed to the various personnel in charge of the areas for which additional services are being considered, as well as to the partner in charge. The respective specialists may provide their comments to the partner in charge, or whoever is deemed applicable, to determine the appropriate action to be taken. A firm may appoint a business development committee to review the completed forms on a regular basis.

CLIENT REVIEW FOR ADDITIONAL SERVICES

CLIENT NAME/NUMBER _____

PARTNER IN CHARGE _____ PREPARED BY _____ DATE _____

ROUTE TO: _____, _____, _____, _____, _____

The following services should be considered for this client: (check applicable items)

	<u>DISPOSITION/COMMENTS</u>	<u>CLEARED BY</u>
_____ Amend prior year returns - additions, deductions, carrybacks, etc.		
_____ Business/Strategic Planning		
_____ Buy/sell agreements		
_____ Cash/credit management		
_____ Change accounting method/system		
_____ Change tax year		
_____ Compensation and benefit planning		
_____ Computer services:		
_____ - has no computer, may need one		
_____ - has computer, may need I/C review		
_____ - has computer, needs assistance		
_____ - needs PC network or enhancements		
_____ Estate or succession planning		
_____ Finance and banking relations		
_____ Income tax planning		
_____ MAS service - financial, marketing, operations, etc.		
_____ Retirement or Financial planning		
_____ Risk management		
_____ Tax entity changes - incorporation, S election, liquidation, etc.		
_____ Other _____		

REVIEW COMMENTS

CLIENT NAME/NUMBER _____ TAX YEAR _____

REVIEWED BY _____ TIME _____ DATE COMPLETED _____

CLEARED BY _____ TIME _____ DATE COMPLETED _____

[illegible]

Page ____ of ____

TAX RESEARCH REQUEST AND RESULTS FORMS

These forms were developed to formalize tax research assignments, notify the personnel related to an account that a research project has been initiated, provide a framework for the assigned personnel, and serve as a means to monitor the status of the project.

Routing the request to other personnel associated with the client may help to insure that all pertinent facts are provided to the assigned researcher. In addition, someone may have encountered the situation, or a similar circumstance, with another client and may be able to provide some valuable assistance regarding the question at hand. Practitioners may also choose to keep a file of completed request/results forms, indexed by Code Section or some other means, as an in-house reference source.

TAX RESEARCH REQUEST

CLIENT NAME/NUMBER _____

REQUESTED BY _____ ASSIGNED TO _____ APPROVED BY _____

DATE OF REQUEST _____ DUE DATE _____ TIME BUDGET _____

PARTNER IN CHARGE _____ ROUTE TO: _____, _____ File(s) _____

=====

FACTS:

QUESTION(S):

Page _____ of _____

TAX RESEARCH RESULTS

CLIENT NAME/NUMBER _____

REQUESTED BY _____ ASSIGNED TO _____ APPROVED BY _____

DATE OF REQUEST _____ DUE DATE _____ TIME BUDGET _____

PARTNER IN CHARGE _____ ROUTE TO: _____, _____ File(s) _____

=====

FINDINGS: (Attach Research)

CONCLUSION(S):

Page _____ of _____

TAX PERMANENT FILE CONTENTS - INDIVIDUAL

- _____ Amended return schedule
- _____ Basis for mortgage interest computations
- _____ Buy/sell agreements
- _____ Client background data
- _____ Closing documents for purchase/sale of a residence
- _____ Contracts
- _____ Copies of gift/estate tax returns
- _____ Divorce decree(s)/Separation agreement(s)
- _____ Estate planning documents
- _____ Forms 2119 (gain on sale of a personal residence)
- _____ Powers of Attorney
- _____ Record of taxing authority audits
- _____ Trust documents
- _____ Wills

TAX PERMANENT FILE CONTENTS - BUSINESS ENTITIES

- ___ Amended return schedule
- ___ Annual minutes
- ___ Approval of fiscal year election
- ___ Approved S election/termination
- ___ Articles of incorporation/Partnership agreement
- ___ Automobile policies
- ___ Buy/sell agreements
- ___ By-laws
- ___ Client background data
- ___ Copies of page 4 of Forms 1120 (for consideration of E&P computations)
- ___ Employment/independent contractor agreements
- ___ Federal and state taxpayer identification numbers
- ___ Form 966 liquidation form
- ___ Fringe benefit information (i.e. medical reimbursement, education, deferred compensation, etc.)
- ___ Officer life insurance information
- ___ Qualified plan IRS determination letter and Summary Plan Description
- ___ Record of taxing authority audits
- ___ Statement of assets transferred (Secs. 351/751)
- ___
- ___
- ___
- ___
- ___
- ___
- ___
- ___

TAX PERMANENT FILE CONTENTS CARRY-FORWARD SCHEDULES

- _____ Alternative minimum tax credit carryforwards
- _____ Basis computation for S Corporations/Partnerships
- _____ Basis investments (including dividend reinvestments/stock dividends)
- _____ "Built-in gain" valuation workpapers
- _____ Business credits
- _____ Capital losses
- _____ Contributions
- _____ Data diskettes
- _____ Depreciation schedules
- _____ Excess home office expense
- _____ Excess Section 179 deduction
- _____ Installment sales schedules
- _____ Loan amortization schedules and related notes
- _____ Net operating loss and AMT net operating loss carryforwards
- _____ Non-deductible IRA's
- _____ Section 1231 gains/losses
- _____ Suspended passive loss carryforwards

VEHICLE RELATED GUIDES

EMPLOYER POLICIES REGARDING USE OF COMPANY VEHICLES

Three policies have been included that may be provided to clients as examples. Policies 1 and 2 are optional for an employer. Policy 3 is required in some form by all employers providing company owned personal use vehicles. The policies should be reviewed to determine if there are conflicts with state or local laws.

EMPLOYEE REPRESENTATION REGARDING USE OF COMPANY VEHICLE AND WORKSHEET TO CALCULATE INCOME FROM PERSONAL USE OF COMPANY VEHICLE

The IRS requires the value of the personal use of employer provided vehicles to be included in the compensation of the employee if the employee does not reimburse the employer. Forms are included for the employer to collect the necessary data from the employee and calculate the value of the personal use.

WORKSHEET TO CALCULATE "INCLUSION AMOUNT" FOR LEASED VEHICLES

The IRS requires lessees of luxury cars to calculate an "inclusion amount" to be included in their gross income. This inclusion amount must be considered by taxpayers who have leased a vehicle after June 18, 1984 for a term of 30 days or more. By means of the inclusion amount, the law attempts to limit the taxpayer's lease payment deductions to the amount that would have been deductible under the limited depreciation rules had the taxpayer purchased the car. Enclosed are various worksheets to calculate the amount includable in income by the lessee for vehicles leased after 1986. For vehicles leased after June 18, 1984 and before 1987, see the applicable Internal Revenue Code rules and regulations. Select the appropriate worksheet based on the lease date of the vehicle.

SAMPLE AUTOMOBILE USAGE POLICIES

1. POLICY PROHIBITING ALL PERSONAL USE OF COMPANY VEHICLES

Management has adopted the following policy regarding personal use of Company owned vehicles:

Vehicles owned or leased by this Company are to be used solely for Company business. There shall be no personal use of the vehicles (including commuting to and from work). Individuals driving Company vehicles may have occasions where an incidental stop is necessary between business stops. Such use shall not be considered to be in violation of this policy.

The Company requires that vehicles not in use shall be parked in designated areas on the Company premises. No personal items are to be stored in the vehicles. Company materials and supplies are to be secured in the trunk, lock boxes or within the Company offices.

Keys are to be returned to _____ upon the close of business each day.

SAMPLE AUTOMOBILE USAGE POLICIES

2. POLICY PROHIBITING ALL PERSONAL USE OF COMPANY VEHICLES EXCEPT COMMUTING

Management has adopted the following policy regarding personal use of Company owned vehicles:

For business reasons, certain employees have been designated to drive a Company owned vehicle to and from their residence. This shall be the only authorized personal use of the vehicle. Individuals driving Company vehicles may have occasions where an incidental stop is necessary between business stops. Such use shall not be considered to be in violation of this policy.

The Company requires that no personal items other than incidentals be stored in the vehicle. The vehicle is to be locked each night with work articles stored either in the lock box or trunk during times when the vehicle is not in use.

The Company will compute a daily value for the commuting which will be included in the employee's W-2 at the end of the calendar year. Such amount will be the minimum allowed by federal income tax laws.

Note: Internal Revenue Service regulations require the Company to maintain evidence which would enable the IRS to determine whether use of the vehicle is in accordance with policy maintained by the Company.

SAMPLE AUTOMOBILE USAGE POLICIES

3. POLICY REGARDING CUT-OFF DATE TO CALCULATE THE VALUE OF PERSONAL USE OF COMPANY OWNED VEHICLES

Management has adopted the following policy regarding computation of the taxable value of the personal use of Company owned vehicles:

The personal use of Company vehicles will be computed for the twelve months ending _____ (October 31, November 30 or December 31).

Annually, the Company requires you to provide a complete accounting of the personal use of the vehicle as of _____. The taxable value of the personal use will be computed using the least costly method allowable by tax law.

This income will be considered paid as of _____ and federal, state (if appropriate) and Social Security/Medicare* withholding will be deducted from your _____ pay check. - or

The taxable value and related withholding amounts will be reflected on your W-2 at year-end.

Please address your information and questions to _____.

* The company may elect to withhold only Social Security/Medicare. If so the paragraph should read as follows:

This income will be considered paid as of _____ and Social Security/Medicare withholding will be deducted from your _____ pay check.

EMPLOYEE REPRESENTATION REGARDING
USE OF COMPANY VEHICLE

The IRS requires employers to provide certain information on their tax return with respect to the vehicles provided to employees. This information is also used to calculate the amount of the fringe benefit to be included in the employee's W-2 income.

The IRS generally requires that written records be maintained to document the business use of vehicles. Since the company policy requires employees to maintain the detailed records, please provide answers to the following questions. If you were provided more than one vehicle that was used during the year, you need to prepare a separate statement for each vehicle.

The completed form must be returned no later than _____ or 100% of the value will be included in the employee's W-2 income. (date)

Description of vehicle _____

Reporting period from _____ to _____

Employee Representation

- | | | | |
|-----|--|-----|-------|
| (1) | Was the vehicle available for your personal use during off-duty hours? | YES | NO |
| (2) | Did you have another vehicle available for your personal use (this includes a car you own personally)? | YES | NO |
| (3) | Are you an officer or 1% owner of the business? | YES | NO |
| (4) | How many commuting round trips did you make in this vehicle? | | _____ |
| (5) | For the reporting period specified above, please provide the number of miles for each of the following categories: | | |
| | Total commuting miles | | _____ |
| | Total other personal (non-commuting) miles | | _____ |
| | Total personal miles | | _____ |
| | Total business miles | | _____ |
| | TOTAL MILES | | _____ |
| (6) | Did the employer pay the cost of fuel consumed by this vehicle? | YES | NO |

(EMPLOYEE SIGNATURE)

(DATE)

**WORKSHEET TO CALCULATE INCOME
FROM PERSONAL USE OF COMPANY VEHICLE**

**EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE
INCOME RESULTING FROM EMPLOYER-PROVIDED VEHICLE**

EMPLOYEE: _____

DESCRIPTION OF VEHICLE: _____

DATE VEHICLE FIRST MADE AVAILABLE TO ANY EMPLOYEE: _____

DATE VEHICLE FIRST MADE AVAILABLE TO THIS EMPLOYEE: _____

Select one method (note limitations on methods II and III)

METHOD I - ANNUAL LEASE VALUE METHOD (For Autos Available 30 Days or More)

Fair market value of vehicle (to be redetermined at the beginning of the fifth year and every four years thereafter).	\$ _____
Annual lease value, per attached chart	\$ _____ ⁽¹⁾
Enter number of days during the year that the vehicle was available	x _____
Divide by number of days in tax year	+ _____
Prorated annual lease value	_____
Personal use % (personal/total miles, per statement from employee)	x _____ %
Personal annual lease value	\$ _____
If fuel is provided by employer, enter personal miles _____ x _____ ⁽²⁾	+ _____
Personal use taxable income	\$ _____

⁽¹⁾For autos available for 7 days or less, multiply the annual lease value by 4. If the availability is more than 7 days, but less than 30, the taxpayer may elect to use the annual lease value without the 4 multiplier.

⁽²⁾If fuel is provided "in kind", the fair market value may be determined based on all facts and circumstances or, alternatively, at 5-1/2 cents per mile if auto usage is within the U.S. Canada, and Mexico. Generally, where fuel is purchased and charged to the employer, the actual cost or reimbursement should be used. If employers with a fleet of 20 or more vehicles, reimburse or allow employees to charge fuel cost, the fleet-average cents per mile may be used. If the fleet employer determines that actual cost or fleet average methods are unreasonable administrative burdens, the 5-1/2 cents per mile may be used.

**WORKSHEET TO CALCULATE INCOME
FROM PERSONAL USE OF COMPANY VEHICLE**

**EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE
INCOME RESULTING FROM EMPLOYER-PROVIDED VEHICLE FOR
CALENDAR YEAR 1992**

METHOD II - STANDARD MILEAGE RATE METHOD

Generally, in order to qualify to use the cents-per-mile method, the vehicle must: (1) be expected to be regularly used in the employer's business through out the calendar year, (2) be driven at least 10,000 miles per year, and (3) have a fair market value of \$13,300 or less. Once this method is adopted for a particular vehicle, it must be continued until the vehicle no longer qualifies.

Enter personal miles	_____ x \$0.28 =	\$ _____
If fuel is NOT provided by the employer enter personal miles	_____ x \$0.055 =	(_____)
Personal use taxable income		\$ _____

METHOD III - SPECIAL COMMUTING METHOD

This method may only be used for vehicles covered by a written policy that allows commuting but no other personal use. DO NOT USE if employee is a 1% or more owner or is an officer.

Number of commuting round trips made	_____
Value per round trip	x _____ \$ 3.00
Personal use taxable income	\$ _____

**WORKSHEET TO CALCULATE INCOME
FROM PERSONAL USE OF COMPANY VEHICLE**

ANNUAL LEASE VALUE TABLE

<u>AUTOMOBILE FAIR MARKET VALUE</u>	<u>ANNUAL LEASE VALUE</u>	<u>AUTOMOBILE FAIR MARKET VALUE</u>	<u>ANNUAL LEASE VALUE</u>
\$ 0- 999	600	22,000-22,999	6,100
1,000- 1,999	850	23,000-23,999	6,350
2,000- 2,999	1,100	24,000-24,999	6,600
3,000- 3,999	1,350	25,000-25,999	6,850
4,000- 4,999	1,600	26,000-27,999	7,250
5,000- 5,999	1,850	28,000-29,999	7,750
6,000- 6,999	2,100	30,000-31,999	8,250
7,000- 7,999	2,350	32,000-33,999	8,750
8,000- 8,999	2,600	34,000-35,999	9,250
9,000- 9,999	2,850	36,000-37,999	9,750
10,000-10,999	3,100	38,000-39,999	10,250
11,000-11,999	3,350	40,000-41,999	10,750
12,000-12,999	3,600	42,000-43,999	11,250
13,000-13,999	3,850	44,000-45,999	11,750
14,000-14,999	4,100	46,000-47,999	12,250
15,000-15,999	4,350	48,000-49,999	12,750
16,000-16,999	4,600	50,000-51,999	13,250
17,000-17,999	4,850	52,000-53,999	13,750
18,000-18,999	5,100	54,000-55,999	14,250
19,000-19,999	5,350	56,000-57,999	14,750
20,000-20,999	5,600	58,000-59,999	15,250
21,000-21,999	5,850		

For vehicles having a fair market value in excess of \$59,999, the Annual Lease Value is equal to:
 $(.25 \times \text{automobile fair market value}) + \500 .

**WORKSHEET TO CALCULATE INCLUSION AMOUNT
FOR VEHICLES LEASED AFTER 1986**

Description of vehicle: _____

Date of lease: _____

Lease term: _____

Fair market value of vehicle at inception of lease: _____

Dollar amount per attached tables. (Select the appropriate table based on the inception date of the lease.)

\$ _____ ⁽¹⁾

Enter number of days during the year that the vehicle was leased.

x _____

Divide by number of days in tax year.

÷ _____

Prorated dollar amount.

\$ _____

Business use % (business/total miles).

x _____ % ⁽²⁾

Prorated inclusion amount.

\$ _____

⁽¹⁾The dollar amount for the preceding year is used for the last tax year of the lease.

⁽²⁾Use 100% if all expenses are deducted by the employer and the personal use value is added to the employee's income.

Worksheet to Calculate "Inclusion Amount" for Leased Vehicles
Dollar Amounts for Automobiles with a Lease Term Beginning
in Calendar Year 1987 or 1988

Fair Market Value of Automobile		Tax Year During Lease *				
Over	Not Over	1st	2nd	3rd	4th	5th and Later
12800	13100	2	5	7	8	9
13100	13400	6	14	20	24	28
13400	13700	10	23	34	41	47
13700	14000	15	32	47	57	65
14000	14300	19	41	61	73	84
14300	14600	23	50	74	89	103
14600	14900	27	59	88	105	122
14900	15200	31	68	101	122	140
15200	15500	35	77	115	138	159
15500	15800	40	87	128	154	178
15800	16100	44	96	142	170	196
16100	16400	48	105	155	186	215
16400	16700	52	114	169	203	234
16700	17000	56	123	182	219	253
17000	17500	62	135	200	240	277
17500	18000	69	150	223	267	309
18000	18500	76	166	246	294	340
18500	19000	83	181	268	321	371
19000	19500	90	196	291	348	402
19500	20000	97	211	313	375	433
20000	20500	104	226	336	402	465
20500	21000	111	242	358	429	496
21000	21500	117	257	381	456	527
21500	22000	124	272	403	483	558
22000	23000	135	295	437	524	605
23000	24000	149	325	482	578	667
24000	25000	163	356	527	632	729
25000	26000	177	386	572	686	792
26000	27000	190	416	617	740	854
27000	28000	204	447	662	794	917
28000	29000	218	477	707	848	979
29000	30000	232	507	752	902	1041
30000	31000	246	538	797	956	1104
31000	32000	260	568	842	1010	1166
32000	33000	274	599	887	1064	1228
33000	34000	288	629	933	1118	1291
34000	35000	302	659	978	1172	1353
35000	36000	316	690	1023	1226	1415
36000	37000	329	720	1068	1280	1478
37000	38000	343	751	1113	1334	1540
38000	39000	357	781	1158	1388	1602
39000	40000	371	811	1203	1442	1665
40000	41000	385	842	1248	1496	1727
41000	42000	399	872	1293	1550	1789
42000	43000	413	902	1338	1604	1852
43000	44000	427	933	1383	1658	1914
44000	45000	441	963	1428	1712	1976
45000	46000	455	994	1473	1766	2039
46000	47000	468	1024	1518	1820	2101
47000	48000	482	1054	1563	1874	2164
48000	49000	496	1085	1608	1928	2226
49000	50000	510	1115	1653	1982	2288
50000	51000	524	1146	1698	2036	2351
51000	52000	538	1176	1743	2090	2413
52000	53000	552	1206	1788	2144	2475
53000	54000	566	1237	1834	2198	2538
54000	55000	580	1267	1879	2252	2600
55000	56000	594	1297	1924	2306	2662
56000	57000	607	1328	1969	2360	2725
57000	58000	621	1358	2014	2414	2787
58000	59000	635	1389	2059	2468	2849
59000	60000	649	1419	2104	2522	2912

* For the last tax year of the lease, use the dollar amount for the preceding year.

Worksheet to Calculate "Inclusion Amount" for Leased Vehicles
Dollar Amounts for Automobiles with a Lease Term Beginning
in Calendar Year 1989 or 1990

Fair Market Value of Automobile		Tax Year During Lease *				
Over	Not Over	1st	2nd	3rd	4th	5th and Later
12800	13100	0	0	0	1	2
13100	13400	0	2	3	5	9
13400	13700	3	11	15	21	26
13700	14000	8	19	29	37	45
14000	14300	12	29	42	53	64
14300	14600	16	38	55	70	83
14600	14900	20	47	69	86	101
14900	15200	24	56	83	102	120
15200	15500	28	65	97	118	139
15500	15800	33	74	110	134	158
15800	16100	37	83	123	151	176
16100	16400	41	93	136	167	195
16400	16700	45	102	150	183	213
16700	17000	49	111	164	199	232
17000	17500	55	123	182	220	258
17500	18000	62	138	204	248	289
18000	18500	69	153	227	275	319
18500	19000	76	168	250	301	351
19000	19500	83	184	271	329	382
19500	20000	90	199	294	356	413
20000	20500	97	214	317	382	445
20500	21000	104	229	339	410	476
21000	21500	111	244	362	437	507
21500	22000	117	260	384	464	538
22000	23000	128	282	419	504	585
23000	24000	142	313	463	558	647
24000	25000	156	343	508	613	709
25000	26000	170	373	554	666	772
26000	27000	183	404	599	720	834
27000	28000	197	435	643	774	897
28000	29000	211	465	688	829	959
29000	30000	225	495	734	882	1021
30000	31000	239	526	778	936	1084
31000	32000	253	556	824	990	1146
32000	33000	267	586	869	1044	1209
33000	34000	281	617	913	1099	1270
34000	35000	295	647	959	1152	1333
35000	36000	309	677	1004	1206	1396
36000	37000	322	708	1049	1260	1458
37000	38000	336	738	1094	1315	1520
38000	39000	350	769	1139	1368	1583
39000	40000	364	799	1184	1423	1664
40000	41000	378	829	1230	1476	1707
41000	42000	392	860	1274	1530	1770
42000	43000	406	890	1319	1585	1832
43000	44000	420	920	1365	1638	1894
44000	45000	434	951	1409	1693	1956
45000	46000	448	981	1454	1747	2019
46000	47000	461	1012	1499	1801	2081
47000	48000	475	1042	1545	1854	2144
48000	49000	489	1073	1589	1909	2205
49000	50000	503	1103	1634	1963	2268
50000	51000	517	1133	1680	2016	2331
51000	52000	531	1164	1724	2071	2393
52000	53000	545	1194	1770	2124	2455
53000	54000	559	1224	1815	2179	2517
54000	55000	573	1255	1859	2233	2580

* For the last tax year of the lease, use the dollar amount for the preceding year.

(continued on next page)

Worksheet to Calculate "Inclusion Amount" for Leased Vehicles
Dollar Amounts for Automobiles with a Lease Term Beginning
in Calendar Year 1989 or 1990

Fair Market Value of Automobile		Tax Year During Lease *				
Over	Not Over	1st	2nd	3rd	4th	5th and Later
55000	56000	587	1285	1905	2286	2643
56000	57000	600	1316	1950	2340	2705
57000	58000	614	1346	1995	2395	2767
58000	59000	628	1376	2041	2448	2829
59000	60000	642	1407	2085	2502	2892
60000	62000	663	1452	2153	2584	2985
62000	64000	691	1513	2243	2691	3110
64000	66000	719	1574	2332	2800	3235
66000	68000	746	1635	2423	2907	3360
68000	70000	774	1695	2514	3015	3484
70000	72000	802	1756	2603	3124	3609
72000	74000	830	1817	2693	3232	3733
74000	76000	858	1877	2784	3340	3858
76000	78000	885	1939	2873	3448	3983
78000	80000	913	1999	2964	3556	4107
80000	85000	962	2106	3121	3745	4325
85000	90000	1031	2258	3346	4015	4638
90000	95000	1101	2409	3572	4285	4949
95000	100000	1170	2562	3796	4556	5261
100000	110000	1275	2789	4135	4960	5729
110000	120000	1414	3093	4585	5501	6352
120000	130000	1553	3397	5036	6040	6976
130000	140000	1692	3701	5486	6580	7600
140000	150000	1831	4004	5937	7121	8223
150000	160000	1970	4308	6388	7660	8847
160000	170000	2109	4612	6838	8201	9469
170000	180000	2248	4916	7288	8741	10093
180000	190000	2387	5220	7739	9281	10716
190000	200000	2526	5524	8189	9821	11340
200000	210000	2665	5828	8639	10362	11963
210000	220000	2804	6131	9091	10901	12587
220000	230000	2943	6435	9541	11442	13210
230000	240000	3082	6739	9992	11981	13834
240000	250000	3221	7043	10442	12522	14457

* For the last tax year of the lease, use the dollar amount for the preceding year.

Worksheet to Calculate "Inclusion Amount" for Leased Vehicles
Dollar Amounts for Automobiles with a Lease Term Beginning
in Calendar Year 1991

Fair Market Value of Automobile		Tax Year During Lease *				
Over	Not Over	1st	2nd	3rd	4th	5th and Later
13400	13700	2	4	6	6	6
13700	14000	5	10	16	18	18
14000	14300	8	17	25	29	32
14300	14600	11	23	35	41	45
14600	14900	14	30	44	52	58
14900	15200	17	36	54	64	71
15200	15500	20	43	63	75	85
15500	15800	23	49	73	87	98
15800	16100	26	55	83	98	112
16100	16400	29	62	92	110	124
16400	16700	32	68	102	121	138
16700	17000	35	75	111	133	151
17000	17500	39	83	125	147	169
17500	18000	44	94	140	167	191
18000	18500	49	105	156	186	213
18500	19000	54	116	172	205	235
19000	19500	59	126	189	224	257
19500	20000	63	138	204	243	279
20000	20500	68	148	220	263	301
20500	21000	73	159	236	282	323
21000	21500	78	170	252	301	345
21500	22000	83	180	269	319	368
22000	23000	90	197	292	348	401
23000	24000	100	218	324	387	445
24000	25000	110	240	356	425	489
25000	26000	120	261	388	463	534
26000	27000	130	283	419	502	578
27000	28000	140	304	452	540	622
28000	29000	149	326	484	578	666
29000	30000	159	347	516	617	710
30000	31000	169	369	547	655	755
31000	32000	179	390	580	693	799
32000	33000	189	412	611	732	843
33000	34000	199	433	644	769	888
34000	35000	208	455	676	808	931
35000	36000	218	477	707	846	976
36000	37000	228	498	739	885	1020
37000	38000	238	519	772	923	1064
38000	39000	248	541	803	961	1109
39000	40000	258	562	835	1000	1153
40000	41000	267	584	867	1038	1197
41000	42000	277	606	899	1076	1241
42000	43000	287	627	931	1115	1285
43000	44000	297	649	962	1153	1330
44000	45000	307	670	995	1191	1374
45000	46000	317	692	1026	1230	1418
46000	47000	326	714	1058	1268	1462
47000	48000	336	735	1091	1306	1506
48000	49000	346	756	1123	1344	1551
49000	50000	356	778	1154	1383	1595
50000	51000	366	799	1187	1421	1639
51000	52000	376	821	1218	1459	1684
52000	53000	385	843	1250	1498	1727
53000	54000	395	864	1282	1536	1772
54000	55000	405	886	1314	1574	1816

* For the last tax year of the lease, use the dollar amount for the preceding year.

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Worksheet to Calculate "Inclusion Amount" for Leased Vehicles
Dollar Amounts for Automobiles with a Lease Term Beginning
in Calendar Year 1991

Fair Market Value of Automobile		Tax Year During Lease *				
Over	Not Over	1st	2nd	3rd	4th	5th and Later
55000	56000	415	907	1346	1613	1860
56000	57000	425	929	1378	1650	1905
57000	58000	435	950	1410	1689	1949
58000	59000	444	972	1442	1727	1993
59000	60000	454	993	1474	1766	2037
60000	62000	469	1026	1521	1824	2103
62000	64000	489	1068	1586	1900	2192
64000	66000	508	1112	1649	1977	2280
66000	68000	528	1155	1713	2053	2369
68000	70000	548	1198	1777	2130	2457
70000	72000	567	1241	1841	2206	2546
72000	74000	587	1284	1905	2283	2634
74000	76000	607	1327	1969	2359	2723
76000	78000	626	1370	2033	2436	2811
78000	80000	646	1413	2097	2512	2900
80000	85000	680	1489	2208	2647	3054
85000	90000	730	1596	2368	2838	3276
90000	95000	779	1704	2528	3029	3497
95000	100000	828	1812	2687	3221	3718
100000	110000	902	1973	2927	3508	4049
110000	120000	1000	2188	3247	3891	4492
120000	130000	1098	2404	3566	4274	4934
130000	140000	1197	2619	3885	4658	5375
140000	150000	1295	2834	4205	5041	5817
150000	160000	1393	3050	4524	5424	6259
160000	170000	1492	3265	4844	5806	6702
170000	180000	1590	3480	5164	6189	7144
180000	190000	1688	3696	5483	6572	7586
190000	200000	1787	3911	5802	6955	8029
200000	210000	1885	4126	6122	7338	8471
210000	220000	1983	4342	6441	7721	8913
220000	230000	2081	4557	6761	8104	9355
230000	240000	2180	4772	7080	8487	9798
240000	250000	2278	4988	7399	8870	10240

* For the last tax year of the lease, use the dollar amount for the preceding year.

Worksheet to Calculate "Inclusion Amount" for Leased Vehicles
Dollar Amounts for Automobiles with a Lease Term Beginning
in Calendar Year 1992

Fair Market Value of Automobile		Tax Year During Lease *				
Over	Not Over	1st	2nd	3rd	4th	5th and Later
13700	14000	0	2	2	2	4
14000	14300	3	7	10	13	15
14300	14600	5	13	18	23	26
14600	14900	8	18	27	32	38
14900	15200	11	23	35	43	49
15200	15500	13	29	44	52	61
15500	15800	16	35	51	62	72
15800	16100	18	40	60	72	84
16100	16400	21	46	68	82	95
16400	16700	23	52	76	92	106
16700	17000	26	57	84	102	118
17000	17500	29	65	95	115	133
17500	18000	33	74	109	132	152
18000	18500	38	83	123	148	171
18500	19000	42	92	137	164	190
19000	19500	46	102	150	181	209
19500	20000	50	111	164	198	228
20000	20500	55	120	178	214	247
20500	21000	59	129	192	230	267
21000	21500	63	139	205	247	285
21500	22000	67	148	219	263	305
22000	23000	74	162	239	288	333
23000	24000	82	180	268	321	371
24000	25000	90	199	295	354	409
25000	26000	99	217	323	387	447
26000	27000	107	236	350	420	485
27000	28000	116	254	378	453	523
28000	29000	124	273	405	486	561
29000	30000	133	291	433	518	600
30000	31000	141	310	460	552	637
31000	32000	150	328	488	584	676
32000	33000	158	347	515	618	713
33000	34000	167	365	543	650	752
34000	35000	175	384	570	684	789
35000	36000	184	402	598	716	828
36000	37000	192	421	625	750	865
37000	38000	200	440	652	783	904
38000	39000	209	458	680	816	942
39000	40000	217	477	707	849	980
40000	41000	226	495	735	882	1018
41000	42000	234	514	762	915	1056
42000	43000	243	532	790	948	1094
43000	44000	251	551	817	981	1132
44000	45000	260	569	845	1013	1171
45000	46000	268	588	872	1047	1208
46000	47000	277	606	900	1079	1247
47000	48000	285	625	927	1113	1284
48000	49000	293	644	955	1145	1323
49000	50000	302	662	982	1179	1360
50000	51000	310	681	1010	1211	1399
51000	52000	319	699	1037	1245	1436
52000	53000	327	718	1065	1277	1475
53000	54000	336	736	1092	1311	1513
54000	55000	344	755	1120	1343	1551

* For the last tax year of the lease, use the dollar amount for the preceding year.

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Worksheet to Calculate "Inclusion Amount" for Leased Vehicles
Dollar Amounts for Automobiles with a Lease Term Beginning
in Calendar Year 1992

Fair Market Value of Automobile		Tax Year During Lease *				
Over	Not Over	1st	2nd	3rd	4th	5th and Later
55000	56000	353	773	1147	1377	1589
56000	57000	361	792	1175	1409	1627
57000	58000	370	810	1202	1442	1666
58000	59000	378	829	1230	1475	1703
59000	60000	386	848	1257	1508	1741
60000	62000	399	875	1299	1557	1799
62000	64000	416	912	1354	1623	1875
64000	66000	433	949	1409	1689	1951
66000	68000	450	987	1463	1755	2027
68000	70000	467	1024	1518	1821	2103
70000	72000	484	1061	1573	1887	2179
72000	74000	501	1098	1628	1953	2255
74000	76000	518	1135	1683	2019	2331
76000	78000	535	1172	1738	2085	2407
78000	80000	551	1209	1794	2150	2484
80000	85000	581	1274	1889	2267	2617
85000	90000	623	1367	2027	2431	2807
90000	95000	666	1459	2165	2595	2998
95000	100000	708	1552	2302	2761	3188
100000	110000	771	1691	2508	3008	3474
110000	120000	856	1876	2783	3338	3854
120000	130000	940	2062	3058	3668	4234
130000	140000	1025	2247	3333	3997	4616
140000	150000	1110	2432	3608	4327	4996
150000	160000	1194	2618	3883	4656	5377
160000	170000	1279	2803	4158	4986	5758
170000	180000	1363	2988	4434	5316	6138
180000	190000	1448	3174	4708	5645	6519
190000	200000	1532	3359	4983	5976	6899
200000	210000	1617	3544	5258	6305	7280
210000	220000	1702	3729	5533	6635	7661
220000	230000	1786	3915	5808	6965	8041
230000	240000	1871	4100	6083	7294	8422
240000	250000	1955	4286	6358	7624	8802

* For the last tax year of the lease, use the dollar amount for the preceding year.

INDIVIDUAL ESTIMATED TAX FLOWCHART

Late in 1991, legislation was passed which changed the rules for federal estimated tax payments. The law eliminated "exception 1" (100% of prior year tax liability) as a safe harbor for estimated tax payments for certain taxpayers.

Following is a flowchart which may be used to assist you in making the decision as to which "exception rule" applies to an individual taxpayer. Once the decision is made, the practitioner can use IRS publications or other resources to compute the proper quarterly estimates.

In 1992, the AICPA published and distributed to all Tax Division members a practice guide discussing the methodology and practical concerns behind the new requirements. If you need a copy of this guide, contact the Tax Division, 202/737-6600.

INDIVIDUAL ESTIMATED TAX FLOWCHART

Did you make estimated tax payments in 1992, 1991 or 1990? (A credit from your prior year's tax return and withholding by your employer are NOT considered estimated tax payments for these purposes.)

NO YES

Did you pay an underpayment of estimated tax penalty for 1992, 1991 or 1990?

NO YES

Is your 1993 estimated adjusted gross income more than \$75,000 (\$37,500 if married filing separately)?

NO YES

Do you have any gain from the sale or exchange of your principal residence?

NO YES

Do you have any gain from a casualty, theft, condemnation or other involuntary conversion?

NO YES

Are you a less than 10% LIMITED partner in a partnership?

NO YES

Are you a less than 10% stockholder in an S corporation?

NO YES

You must compute Modified Adjusted Gross Income

Compute your modified adjusted gross income.

Then continue with the flowchart using Modified Adjusted Gross Income where indicated.

1993 Estimated adjusted gross income (EMAGI for those who have adjustments) \$ _____ A

1992 Adjusted gross income \$ _____ B

Subtract B from A \$ _____ C

Is C more than \$40,000 (\$20,000 if married filing separately)?

NO YES

You are NOT subject to these new rules, and you may use your prior year tax for all current year estimates.

You are subject to the new rules. Estimated tax must be computed based on 1993 annualized income.

S CORPORATION SHAREHOLDER BASIS SCHEDULE
SHORT VERSION

Shareholder Name _____ Year Ended _____

Corporation Name _____
Shares at Year End _____ Ownership Percentage _____

BASIS CALCULATION

Stock - original cost, including paid-in-capital	_____
Shareholder loans to corporation, balance at beginning of year	_____
Prior net income and losses and basis reductions for ITC	_____
Basis at beginning of year(or basis at end of prior year)	_____ *
Plus: Non-separately stated income	_____
Separately stated income items	_____
Non-taxable income, not including book/tax timing differences	_____
50% of ITC recapture	_____
Gain recognized on debt repayment in excess of basis	_____
New loans to S corporation	_____
Additional stock/paid-in-capital investment	_____
Minus: Loan repayments to shareholder-from K-1, line 17	(_____)
Basis for current year loss	_____
Minus: Non-separately stated loss	(_____)
Separately stated losses and deductions	(_____)
Prior year(s) loss carryover utilized in current year	(_____)
Depletion Adjustment	(_____)
Remaining basis	_____ *
Plus: Gain recognized for distributions in excess of basis	_____
Minus: Non-deductible expenses, not including book/tax timing differences	(_____)
Distributions	(_____)
Basis at end of year	_____ *

*Basis cannot be less than zero. Any unused losses and deductions should be reflected on the attached schedule of carryover losses.

S CORPORATION SHAREHOLDER BASIS SCHEDULE
SHORT VERSION

CARRYOVER LOSSES

Balance at beginning of year

Additional excess losses

Prior year(s) carryover used in
current year

Balance at end of year

Deductible	Nondeductible	Total
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
(<hr/>)	(<hr/>)	(<hr/>)
<hr/>	<hr/>	<hr/>

USE OF THE S CORPORATION SHAREHOLDER BASIS SCHEDULE

The shareholder basis schedule is a tool to assist the tax practitioner in determining a shareholder's basis in his/her shares in any given year. Two versions are provided, a short version and a long version. The practitioner should select whichever best suits the situation. Please be aware that K-1 line #/descriptions are subject to change from year to year.

Basis will determine how much loss a shareholder can recognize on his or her individual return. Losses can be used to the extent of basis in capital as well as basis in loans from the shareholder to the corporation. Capital basis should be monitored when anticipating a loss pass-through to the shareholder and when distributions are planned. Generally, distributions will be nontaxable to the shareholders up to their individual capital basis unless the corporation has earnings and profits from either operating as a C Corporation, operating as an S Corporation prior to 1983, or from a merger with another corporation that had earnings and profits. If the capital basis and earnings and profits are exhausted, distributions become taxable as capital gain distributions.

Loan basis is important not only because of its impact on loss passthrough, but because repayments of shareholder loans can, and often do, produce taxable income to the shareholder. The IRS' position is that income from loan repayment is calculated on a ratio of loan basis to book value at the time of loan repayment. Basis in loans is rebuilt by income recognized by the shareholder. This is only for losses that reduced loan basis during taxable years beginning after December 31, 1982.

S CORPORATION SHAREHOLDER BASIS SCHEDULE
LONG VERSION

Corporation Name _____ ID # _____

Shareholder Name _____ SS # _____

	Year		
# of Shares at year end			
Ownership Percentage			
1A. Income (Loss) from K-1 line 1			
B. Net of items from K-1, lines 2-11(a) 15(e), 16(a)			
2. Distributions from K-1, line 17			

CAPITAL BASIS

(unless otherwise noted, all line references refer to this form)

3. Beginning of year (line 15 prior yr. schedule or original cost of stock, if first year)			
4. Additional investments			
5. Adjustments + (-)			
6A. Current year Ordinary Income (line 1A)			
B. Current year Other Income (line 1B)			
7. Subtotal of lines 3-6B			
8A. Current year Ordinary Loss (line 1A) prorable*			
B. Current year Other Loss (line 1B) prorable* (8A & 8B losses not to exceed line 7)*			
9. Subtotal of lines 7-8B			
10. Nontaxable income & nondeductable expenses, K-1, line 20(1991), line 21(1990)			
11. Subtotal of lines 9 and 10			
12. Distribution (line 2 not to exceed line 11, excess to line 31C* or 31D)			
13A. Loss carryover (line 29D pr. yr. not to exceed net of lines 11 and 12)			
B. Loss carryover (line 30D pr. yr. not to exceed net of lines 11 through 13A)			
14. Loan Restoration*			
15. Capital Basis year end (line 11 less lines 12-14)*			

LOANS FROM SHAREHOLDER

16. Beginning of year (line 19 prior yr. schedule)			
17. Additions			
18. Reductions (line 18 K-1)			
19. Balance End of Year			

S CORPORATION SHAREHOLDER BASIS SCHEDULE **LONG VERSION**

BASIS IN LOANS FROM SHAREHOLDER

20. Beginning of year (line 27 prior yr. schedule)
21. Restoration of Basis (line 14)*
22. Additions
23. Reductions*
24. Subtotal (lines 20-23)
- 25A. Excess Loss from line 8A or 8B (Ordinary or Other Deductible Losses)* ..
- B. Excess Loss from line 10 (Other Nondeductible Losses)
- C. Subtotal of 25A & 25B (not to exceed line 24, excess to line 29A or 30A)* ..
- 26A. Loss Carryover applied to loans (not to exceed 25C)
- B. Nondeductible Loss Carryover applied to loans (not to exceed 25C less 26A)
27. Loan Basis End of Year (line 24 less lines 25C-26B)*

28. TOTAL TAX BASIS -- STOCK & LOANS
(line 15 plus line 27)

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DEDUCTIBLE CARRYOVERS

- 29A. Unused Loss and Deductions From Above
- B. Loss Carryover (prior year schedule, line 29D)
- C. Loss Used This Year (line 13A plus 26A)
- D. Loss Carryover (line 29A plus 29B minus 29C)

NONDEDUCTIBLE CARRYOVERS**

- 30A. Unused Nondeductible Losses From Above
- B. Nondeductible Loss From Prior Years (prior year schedule, line 30D)
- C. Nondeductible Losses Used this Year (line 13B plus 26B)
- D. Nondeductible Loss Carryover (line 30A plus 30B minus 30C)

** A literal reading of Code Section 1366 can be interpreted to provide that nondeductible losses and deductions are not required to be carried over.

INFORMATION NOT INCLUDED IN K-1

- 31A. Ordinary Income from Loan Repayment
- B. Capital Gain Income from Loan Repayment
- C. Capital Gain Distribution
- D. Qualifying Dividend Distribution (Form 1099)*

FOOTNOTES

- *8 A&B.** Total of these two lines should not exceed Line 7. If over, take excess to Line 25A. Corporation should keep record of type of losses and deductions that are not passed through due to insufficient basis, and should transmit to shareholder when basis is available. Identify type of losses when passing through to shareholder. Charitable contributions reduce basis before other losses are considered.
- *10.** Nondeductible expenses and nontaxable income reduce and/or increase basis of shareholder in stock and indebtedness; however, it is not clear if this occurs before losses are applied and distribution is made. It is usually advantageous to treat in manner reflected on this schedule. If negative, loss should not exceed line 9 and any excess to line 25B. Any further excess is to be carried over to line 30A.
- *12.** Any distribution in excess of basis in stock is considered as sale of stock and is capital gain depending on the holding period. (Short term or long term.)
- *14.** If corporation has undistributed taxable income this year restore basis in indebtedness up to the amount shown on Line 16. The remainder would increase capital basis. NOTE: RESTORABLE LOAN BASIS IS ONLY FOR AMOUNT OF LOSSES THAT HAVE REDUCED LOAN BASIS DURING TAXABLE YEARS THAT BEGAN AFTER 12/31/82.
- *15.** Stock basis should not be less than zero.
- *21.** Should be equal to Line 14.
- *23.** If loan repayment occurs when loan basis is less than face, the gain should be shown on line 31A or B. Only the basis attributable to the repayment should be shown on this line.
- *25A.** Line 25A should not exceed line 24. Any excess to line 29A.
- *25B.** Line 25B should not exceed line 24 less line 25A. Any excess to line 30A.
- *27.** Loan basis of shareholder should never be less than zero.
- *31D.** Dividends from earnings and profits. Form 1099 to be issued by corporation to shareholder.

PASSIVE ACTIVITY CHECKLIST 1992

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

The 1992 Passive Activity Checklist is based on proposed regulation 1.469-4 which provides a modified definition of the term "activity". The proposed regulation is to be generally effective for taxable years ending after May 10, 1992. For taxable years ending on or before May 10, 1992, taxpayers must apply the rules of Reg. 1.469-4T. In addition, taxpayers may, for the taxable year that includes May 10, 1992, apply the rules in Reg. 1.469-4T rather than the rules in the proposed regulation. Tax preparers may wish to refer to section 100 of the 1991 Passive Activity Checklist for guidance on Reg. 1.469-4T.

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
100) ACTIVITIES			
101) Determine that all activities have been accounted for.	_____	_____	_____
102) Determine that all activities are grouped according to:			
.1) Appropriate economic unit.	_____	_____	_____
.2) Facts and circumstances:			
(a) Similarities and differences in types of business.	_____	_____	_____
(b) Extent of common control.	_____	_____	_____
(c) Extent of common ownership.	_____	_____	_____
(d) Geographic location.	_____	_____	_____
(e) Interdependencies between activities.	_____	_____	_____
103) For rental activities consider that:	_____	_____	_____
.1) A rental activity may not be grouped with a trade or business activity unless one activity is insubstantial in relation to the other.	_____	_____	_____
.2) An activity involving the rental of real property and an activity involving the rental of personal property cannot be treated as a single activity.	_____	_____	_____

PASSIVE ACTIVITY CHECKLIST

1992

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
104) Consider the six exceptions to the definition of "rental activity". (Reg. 1.469-1T(e)(3)(ii)).	_____	_____	_____
105) Consider that aggregation elections made under Reg. 1.469-4T may no longer be applicable/binding/appropriate.	_____	_____	_____
106) Consider potential limitations on regrouping in subsequent years. Note that once a taxpayer has grouped activities under the proposed regulation, the taxpayer may not be able to regroup these activities in subsequent years unless the original grouping was clearly inappropriate or there has been a material change in facts and circumstances.	_____	_____	_____
107) Consider that taxpayers who are limited partners in activities described in § 465(c)(1) may not group that activity with any other activity except as provided in Reg. 1.469-4(f)(1) and (2).	_____	_____	_____
108) Consider that partnerships and S Corps must now group their activities in accordance with the proposed regulation.	_____	_____	_____
109) Consider that partners and S Corp shareholders must group activities from various flow-through entities, and directly conducted activities in accordance with the rules of Prop. Reg. 1.469-4.	_____	_____	_____
110) Determine if any activity is specifically excluded from the definition of "passive activity" (e.g., trading in personal property, or any working interest in oil and gas property owned directly or through an entity that does not limit taxpayer's liability).	_____	_____	_____
111) Consider whether an activity involving rental of the taxpayer's residence during the taxable year should be excluded from the passive loss rules.	_____	_____	_____
112) Determine if any activity is subject to the "publicly traded partnership" rules. If so, report separately.	_____	_____	_____
200) PORTFOLIO INCOME			
201) Separate portfolio income from passive income or loss.	_____	_____	_____

PASSIVE ACTIVITY CHECKLIST

1992

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
202) Separately state expenses allocable to portfolio income.	_____	_____	_____
203) Review for self-charged interest.	_____	_____	_____
.1) Consider whether the taxpayer's interest income should be recharacterized as passive activity income pursuant to Prop. Reg. 1.469-7(c).	_____	_____	_____
.2) Determine if the pass-through entity generating the self-charged interest elected out of the self-charged interest rules.	_____	_____	_____
300) SPECIAL RULES FOR C CORPORATIONS			
301) If taxpayer is a C corporation, determine if it is a closely held corporation or a personal service corporation subject to the passive loss limitations.	_____	_____	_____
302) If taxpayer is a closely held C corporation, calculate its net active income.	_____	_____	_____
303) If taxpayer is a corporation which is a member of an affiliated group of corporations filing a consolidated return, determine the status (personal service, closely held) and participation in passive activities for the group as if it were a single taxpayer.	_____	_____	_____
304) Determine that net passive income or loss is calculated on a consolidated basis, if applicable.	_____	_____	_____
400) MATERIAL PARTICIPATION (OTHER THAN A RENTAL ACTIVITY)			
401) Determine if the taxpayer satisfied any one of the seven tests for material participation contained in Reg. 1.469-5T(a).	_____	_____	_____
402) If taxpayer is a limited partner, consider applying the exceptions to qualify for "material participation."	_____	_____	_____
403) Determine that the material participation tests for a partner or S corporation shareholder are applied at the ultimate taxpayer level.	_____	_____	_____
404) For purposes of the above tests, combine the participation of a husband and wife eligible to file a joint return.	_____	_____	_____

PASSIVE ACTIVITY CHECKLIST
1992

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
405) If taxpayer is a closely held C corporation or personal service corporation, determine if shareholders owning more than 50% of its stock in the aggregate each materially participated in the activity.	_____	_____	_____
406) If taxpayer is a closely held C corporation, consider the alternative test for material participation based on employees and business expenses - see § 469(h)(4)(B).	_____	_____	_____
500) ACTIVE PARTICIPATION BY AN INDIVIDUAL IN RENTAL REAL ESTATE ACTIVITY			
501) Consider the \$25,000 special allowance for rental real estate losses (Form 8582).	_____	_____	_____
502) Consider the special allowance for the rehabilitation credit and the low income housing credit from rental real estate activities - note that active participation is not required for these credits.	_____	_____	_____
600) DISPOSITIONS			
601) Determine if the taxpayer disposed of, in a fully taxable transaction, his entire interest in a passive activity to an unrelated party at arm's length, or as a full abandonment of the entire interest. If so:	_____	_____	_____
.1) Consider the rules for the disposition of an interest in a passthrough entity.	_____	_____	_____
.2) After considering ordering rules, deduct in full any loss allocable to such activity including suspended losses from prior years. [Note that § 469(g)(1) as amended by the Technical and Miscellaneous Revenue Act of 1988 reflects substantive changes to the Internal Revenue Code which the legislative history indicates were not intended by Congress. The IRS, as an administrative matter, may be following the approach set forth in the Code prior to the 1988 amendments.]	_____	_____	_____
.3) Consider the suspended loss utilization rules for the installment sale of an entire interest.	_____	_____	_____

PASSIVE ACTIVITY CHECKLIST
1992

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
602) Consider Prop. Reg. 1.469-4(k) regarding partial dispositions of a substantial part of an activity.	<hr/>	<hr/>	<hr/>
603) Consider the treatment of suspended losses in dispositions characterized as non-taxable exchanges.	<hr/>	<hr/>	<hr/>
604) At death of taxpayer, deduct suspended losses to the extent such losses exceed the amount by which the activity's basis increased pursuant to § 1014.	<hr/>	<hr/>	<hr/>
605) Determine that the donee's basis of a passive activity interest received via gift has been increased by the amount of any suspended losses allocable to such interest. Note that the donor may not claim the suspended losses.	<hr/>	<hr/>	<hr/>
606) For pre-1987 installment sales, consider whether post-1986 gain recognized is eligible to be treated as passive income.	<hr/>	<hr/>	<hr/>
607) Determine ability to deduct passive credits. Note that although credits are not "freed-up" on disposition, the taxpayer may make an election to increase basis. (§ 469 (j)(9))	<hr/>	<hr/>	<hr/>
700) SPECIAL CHARACTERIZATION OF INCOME RULES			
701) Determine if any gain from the disposition of an interest in an activity is passive in the year of disposition (12 month rule). Note that there are special rules for dealers.	<hr/>	<hr/>	<hr/>
702) Determine the character of any gain on the disposition of substantially appreciated property formerly used in a non-passive activity.	<hr/>	<hr/>	<hr/>
703) Determine if income from property rented for use in a trade or business activity in which the taxpayer materially participated for the taxable year is treated as not from a passive activity. (Note that this rule does not apply to net income attributable to rentals either to a C corporation or pursuant to binding written contracts entered into before 2/19/88.)	<hr/>	<hr/>	<hr/>
704) Consider whether any net income from the rental of substantially nondepreciable property (e.g., unimproved land) must be recharacterized as not from a passive activity.	<hr/>	<hr/>	<hr/>

PASSIVE ACTIVITY CHECKLIST
1992

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
705) If the activity is a significant participation activity with net income, but not a material participation activity, determine whether a ratable portion of the activity's net income must be recharacterized as not from a passive activity.	_____	_____	_____
706) If the activity involves the lending of money, consider the "equity-financed lending activity" rule. (Reg. 1.469-2T(f)(4))	_____	_____	_____
707) If the taxpayer received royalty income from a passthrough entity that created the property or performed substantial services or incurred substantial cost in the development or marketing of the property, consider whether such royalty income must be treated as not from a passive activity. (Reg. 1.469-2T(f)(7))	_____	_____	_____
708) If the taxpayer materially or significantly participated in the development of rental property, determine if the gain on sale is passive.	_____	_____	_____
709) Determine if the taxpayer has carryforward losses from a former passive activity that can offset active income from the same activity.	_____	_____	_____
800) OTHER PASSIVE ACTIVITY RULES			
801) Determine that other provisions limiting the deductibility of items under the IRC, such as § 465 at-risk provisions, § 704(d) and § 1366(d) basis limitations, have been considered before applying the passive loss rules.	_____	_____	_____
802) For each passive activity, combine the passive income and passive losses for that activity to determine net passive income or loss for the activity.	_____	_____	_____
803) Determine if there are any carryovers of passive losses or credits per activity for both regular tax and AMT purposes.	_____	_____	_____
804) Consider that suspended pre-1987 losses as a result of at risk or basis limitations that may be claimed are not subject to § 469 limitations.	_____	_____	_____
805) If a casualty or theft loss was incurred, determine if it is subject to a § 469 limitation. (Reg. 1.469-2T(d)(2))	_____	_____	_____

PASSIVE ACTIVITY CHECKLIST
1992

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
806) If low income housing, consider attaching the required transition rule statement under § 502 of the Tax Reform Act of 1986.	<hr/>	<hr/>	<hr/>
807) Subject credits from passive activities to the applicable limitations for such credits; generally such credits may not offset taxes other than taxes related to net passive income.	<hr/>	<hr/>	<hr/>
808) Allocate any disallowed passive loss ratably among the taxpayer's passive activities having net losses for the taxable year and prepare a carryforward schedule.	<hr/>	<hr/>	<hr/>
809) Consider the passive loss limitations for purposes of the alternative minimum tax.	<hr/>	<hr/>	<hr/>
810) Consider special passive activity rules for estates and trusts.	<hr/>	<hr/>	<hr/>

COMMENTS OR EXPLANATIONS

U.S. ESTATE TAX RETURN PREPARATION AND REVIEW CHECKLIST

FORM 706 (Revised October 1991)

For Decedents Dying after October 8, 1990 and before January 1, 1993

Decedent's Name and Client number: _____

Personal Representative: _____ Date of Death: _____

Prepared by: _____ Reviewed by: _____ Date: _____

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
100) GENERAL INFORMATION			
101) Obtain certified copy(ies) of death certificate and letters testamentary (or letters of administration).	_____	_____	_____
102) Review prior income tax returns, memos, workpapers and correspondence files.	_____	_____	_____
103) If the decedent died testate (with a will), obtain a certified copy(ies) of the will and document the various provisions for distributions and payment of taxes, debts, and administrative expenses.	_____	_____	_____
104) If the decedent was a grantor or trustee of a trust, or held any interest or power in a trust, obtain a copy of the trust instrument and Forms 1041 to determine whether any of the trust assets are includable in the gross estate.	_____	_____	_____
105) Obtain information regarding names, addresses, ages, social security numbers and relationships of beneficiaries to decedent.	_____	_____	_____
106) Inquire as to any federal gift tax returns filed by the decedent or by the spouse of decedent. Note that the due date of Form 709 to report gifts during calendar year of death is the due date of the 706.	_____	_____	_____
.1) Obtain copies of any such returns.	_____	_____	_____
.2) If no gift tax returns have been filed, consider whether such returns should be filed. Note that the due date of Form 709 to report gifts during calendar year of death is the due date of the 706.	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.3) Determine whether any gift tax adjustments or examinations have been made or are being conducted by the IRS.	_____	_____	_____
107) Obtain a copy of the probate inventory for the decedent's estate, if applicable.	_____	_____	_____
108) Verify the location of and the persons with access to any safety deposit box to which the decedent had access. Obtain a detailed list of contents.	_____	_____	_____
109) If the decedent's spouse predeceased the decedent, obtain a copy of the spouse's Form 706, state estate or inheritance tax returns and any Forms 1041 filed on behalf of that estate.	_____	_____	_____
110) If the decedent was divorced, obtain a copy of any divorce decree and/or property settlement.	_____	_____	_____
111) Ascertain whether "flower bonds" (U.S. Treasury Bonds redeemable at par plus accrued interest in payment of the federal estate tax) are held by the decedent at death.	_____	_____	_____
112) For a decedent in a community property state, ascertain the separate or community property character of decedent's property and document file. Do so for each schedule of the return.	_____	_____	_____
 200) ELECTIONS			
201) Determine whether to elect alternate valuation. Note that alternate valuation is not available unless the gross estate <u>and</u> the estate tax payable are reduced as a result of the election.	_____	_____	_____
202) Determine whether the following deferred payment elections may be available:			
.1) § 6161 -- reasonable cause	_____	_____	_____
.2) § 6166 -- installment payment for closely held businesses	_____	_____	_____
.3) § 6163 -- remainder interest	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
203) Ascertain if the decedent transferred qualified terminable interest property (QTIP).	_____	_____	_____
.1) If QTIP election is an available option under the will or other governing instrument, consider whether that election should be made.	_____	_____	_____
.2) Consider extending the time for filing of Form 706 to permit a more informed decision about making a QTIP election.	_____	_____	_____
.3) If QTIP election is to be made, insure proper treatment on Schedule M.	_____	_____	_____
204) Determine whether to deduct administrative expenses (e.g., professional fees, property taxes, interest expense), on Form 706 or the estate's Form 1041.	_____	_____	_____
205) Determine whether to deduct unpaid medical expenses relating the decedent on Form 706 or on the decedent's final Form 1040 (if such expenses are paid within one year after death).	_____	_____	_____
206) Consider use of qualified disclaimer. Review § 2518 and applicable state law.	_____	_____	_____
 300) SCHEDULE A - REAL ESTATE			
301) Obtain a list of all real estate owned or under contract for purchase (including minerals), including correct legal description and street address, if any.	_____	_____	_____
302) If there is joint ownership, determine whether to report on Schedule E.	_____	_____	_____
303) Ascertain if decedent's interest is a split interest, e.g., life interest, remainder interest, term of years. If so, refer to appropriate actuarial tables.	_____	_____	_____
304) If split interest is owned with family member(s), refer to § 2702 and note effective date.	_____	_____	_____
305) Obtain and document appraisals.	_____	_____	_____
.1) Where applicable, have appraisals allocate value between land and improvements.	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.2) Ascertain whether contract price should be used as fair market value in case of sale pending at death.	_____	_____	_____
306) Exclude cemetery lots for decedent and decedent's family from gross estate. Include in the gross estate additional cemetery lots that have market value.	_____	_____	_____
307) If any property is security for a debt, show debt separately on Schedule K (unless the debt is nonrecourse).	_____	_____	_____
400) SCHEDULE A-1 - SPECIAL USE VALUATION			
401) Ascertain whether election is available for farm, timber or other closely-held business real property.	_____	_____	_____
402) Gather and review all required documents for the election.	_____	_____	_____
500) SCHEDULE B - STOCKS AND BONDS			
501) Obtain a list of securities held by brokers and custodians.	_____	_____	_____
502) If there is joint ownership, determine whether to report on Schedule E.	_____	_____	_____
503) Ascertain issuer name, number of shares and/or par value, and description of security (including CUSIP number).	_____	_____	_____
.1) For listed stocks or bonds, indicate stock exchange.	_____	_____	_____
.2) For bonds, indicate interest rate and maturity date.	_____	_____	_____
.3) Determine accrued interest and/or declared but unpaid dividends, if any, for each security. List each such item separately.	_____	_____	_____
.4) Review valuation of securities in accordance with the regulations under to § 2031. Note specific rules when valuation date is not a trading date.	_____	_____	_____
504) Ascertain whether "flower bonds" (U.S. Treasury bonds redeemable at face value in payment of federal estate tax) are includable in the gross estate. See Rev. Rul. 69-489 for valuation rules.	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
505) Determine that Series H and HH bonds are included at face value.	_____	_____	_____
506) For Series E and EE savings bonds, value in accordance with the tables promulgated by the Treasury Department available in most major tax services.	_____	_____	_____
507) Inquire whether there is any closely-held stock. If such stock is held by decedent and other family member(s), consider IRC Chapter 14.	_____	_____	_____
.1) Obtain five prior years' financial statements and income tax returns.	_____	_____	_____
.2) Review Reg. 20.2031-2 and Rev. Rul. 59-60 for valuation guidance.	_____	_____	_____
.3) Ascertain whether there have been any sales of shares of stock or other company securities within a reasonable time period prior to or subsequent to death, and if so, determine the sale price and other information.	_____	_____	_____
.4) Where appropriate, engage a professional appraiser for the business valuation. Review appraisal for reasonableness.	_____	_____	_____
.5) Consider the availability of marketability, minority and other valuation discounts.	_____	_____	_____
.6) Ascertain whether any restricted transfer agreement exists, and if so, whether its provisions fix estate tax value.	_____	_____	_____
.7) Determine whether there is an estate freeze transaction in effect. If so, determine and document the likely impact of various reporting positions on the return.	_____	_____	_____
 600) SCHEDULE C - MORTGAGES, NOTES AND CASH			
601) Obtain decedent's bank and other financial institution statements covering the date of death as well as prior and subsequent periods.	_____	_____	_____
602) Calculate accrued interest on interest-bearing accounts.	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
603) Inquire about joint accounts, and determine amount includable in gross estate. If any, determine whether to report on Schedule E.	_____	_____	_____
604) Determine value of mortgages and notes receivable (presumed to be face amount unless discount factors present). Calculate accrued interest.	_____	_____	_____
605) Ascertain the amount of cash on hand or undeposited checks at death.	_____	_____	_____
606) If any outstanding checks are for gifts made by the decedent, determine whether these may be excluded from the gross estate.	_____	_____	_____
607) Inquire about any self-canceling installment sale notes. Such notes may be excludable from the decedent's gross estate.	_____	_____	_____
608) Convert any foreign accounts or currency into U.S. equivalent as of the date of death or alternate valuation date, whichever is applicable.	_____	_____	_____
 700) SCHEDULE D - LIFE INSURANCE ON DECEDENT'S LIFE			
701) Obtain copies of life insurance policies.	_____	_____	_____
702) Request Form 712 for each policy from issuer.	_____	_____	_____
703) If any life insurance is held in trust, determine whether death proceeds are includable in estate under §§ 2035 through 2041.	_____	_____	_____
704) Inquire whether any life insurance is owned by a closely-held corporation in which the decedent held more than 50% of the voting power and determine whether it is includable in the gross estate as a separate item, or whether it should be reflected in the valuation of the corporation.	_____	_____	_____
705) Determine whether any split-dollar insurance is includable in the estate. (If decedent is controlling shareholder, review Rev. Rul. 78-420.)	_____	_____	_____
706) Inquire whether there is any group term life insurance and ascertain whether it is includable.	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
707) If decedent paid premiums on assigned life insurance policies, determine the effect, if any, on includability in his estate.	_____	_____	_____
708) If decedent transferred a life insurance policy on his life within three years of his death, then determine whether the proceeds are included in the gross estate. The transfer could include any "incident of ownership." See 1005 below.	_____	_____	_____
800) SCHEDULE E - JOINTLY OWNED PROPERTY			
801) Verify correct description of property and type of joint interest.	_____	_____	_____
802) Ascertain source of funds for acquisition of jointly-owned property (unless spouse is the only other joint owner), and document. (Presumption is that 100% of consideration is attributable to decedent.)	_____	_____	_____
803) For a decedent in a community property state, determine that appropriate interests are included in the gross estate.	_____	_____	_____
900) SCHEDULE F - MISCELLANEOUS PROPERTY			
901) Review will for transfers of specific assets and determine whether identified property was owned at death.	_____	_____	_____
902) Include appropriate value of life insurance on the life of another.	_____	_____	_____
903) Review personal property insurance policies to identify includable items. Where appropriate, obtain appraisals on art, antiques, other collectibles and other tangible personal property.	_____	_____	_____
904) Determine that other miscellaneous items are included, such as:			
.1) Decedent's share of federal, state, local or foreign income tax overpayment. See Reg. 20.2053-6(f)	_____	_____	_____
.2) Prepaid items.	_____	_____	_____
.3) Decedent's after-tax contributions to qualified plans.	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.4) Vehicles, boats, and other similar property.	_____	_____	_____
.5) Personal belongings.	_____	_____	_____
.6) Trust income accrued but unpaid at death.	_____	_____	_____
.7) Non-mineral royalties and leaseholds.	_____	_____	_____
905) Inquire whether the decedent held an interest in a sole proprietorship, partnership, or joint venture. If such interest was held then consider IRC Chapter 14.	_____	_____	_____
.1) Obtain financial statements and income tax returns for the five year period prior to death.	_____	_____	_____
.2) Review Reg. 20.2031-3 for guidance.	_____	_____	_____
.3) Ascertain whether there have been any sales of an interest in the partnership in which the decedent had an interest within a reasonable period prior to or subsequent to death. If so, determine the sale price and other relevant information.	_____	_____	_____
.4) Where appropriate, engage a professional appraiser for the business valuation. Review appraisal for reasonableness.	_____	_____	_____
.5) Consider the availability of marketability, minority and other valuation discounts.	_____	_____	_____
.6) Ascertain whether any restricted transfer agreement exists, and if so, whether its provisions fix estate tax value.	_____	_____	_____
.7) Inquire as to whether there is any estate freeze transaction in effect. If so, determine the likely impact of various reporting positions on the return, and document.	_____	_____	_____
906) Include decedent's interest in qualified terminable interest property (for which valid QTIP election was made earlier at spouse's death.)	_____	_____	_____
.1) Check for partial QTIP election.	_____	_____	_____
.2) Include accrued and undistributed income, if governing instrument requires distribution to decedent's estate.	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
1000) SCHEDULE G - TRANSFERS DURING LIFE			
1001) Determine if gift tax was paid on gifts made within three years before death. It is includable if the decedent paid the gift tax, even if the decedent was not the actual donor.	_____	_____	_____
1002) Note revocable trusts or other lifetime transfers of decedent in Schedule G, whether or not includable in the gross estate. Attach copies of such documents to Form 706.	_____	_____	_____
1003) Review trusts created after October 28, 1979 for power of grantor to change trustee. If trustee not bound to ascertainable standard for distributions, the trust assets could be includable under Rev. Rul. 79-353.	_____	_____	_____
1004) Notify donee of includable gift property of new basis for gifts made within three years of death. (§ 2035(d)(2) inclusions).	_____	_____	_____
1005) Inquire about gifts with retained interests made by decedent. Value at date of death, even if not owned by donee.	_____	_____	_____
1006) Review rules for inclusion of gifts for which gift splitting was elected.	_____	_____	_____
1100) SCHEDULE H - POWERS OF APPOINTMENT			
1101) Determine if decedent held any general powers of appointment. If so, obtain copies of documents creating the powers and related tax returns, if applicable.	_____	_____	_____
1102) Review rules on valuation of property over which decedent held general power, including any partial interest. Regs. 20.2041-3.	_____	_____	_____
1103) Check for 5 and 5 powers (see § 2041(b)(2)) which existed for the entire year of death and which cause the property subject to the power to be included in the gross estate as a result of the power not having lapsed at death.	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
1200) SCHEDULE I - ANNUITIES AND RETIREMENT BENEFITS			
1201) Determine whether any annuities can be excluded under the transitional rules of TEFRA and the Revenue Act of 1984.	_____	_____	_____
1202) Verify amount includable, if any. Do not exclude amounts attributable to employee contributions to retirement plans.	_____	_____	_____
1300) SCHEDULE J - ADMINISTRATION EXPENSES			
1301) Determine the amount of funeral expenses. Inquire as to any funeral expenses advanced to the estate by others.	_____	_____	_____
1302) Ascertain whether funeral expenses are to be reduced for VA benefits, and for social security death benefits payable to other than decedent's spouse.	_____	_____	_____
1303) Inquire as to whether attorney's fees, accountants's and/or executor fees will be paid, agreed to or estimated.	_____	_____	_____
1304) Consult will or other governing instruments for provisions regarding executor's fees and other professional fees.	_____	_____	_____
1305) If there are co-executors, determine whether each will receive a executor's fee and determine the amount.	_____	_____	_____
1306) Consider deduction of § 6166 interest on installment payment of tax. Note Rev. Proc. 81-27 for guidance on filing of supplemental returns.	_____	_____	_____
1307) Consider waiver of deduction of administrative expenses on Form 706 and document. The waiver relates to the possible deduction of such expenses on Form 1041.	_____	_____	_____
1308) Determine that all expenses included on Schedule J are reasonable, taking into account applicable state law.	_____	_____	_____
1400) SCHEDULE K - DEBTS OF DECEDENT, MORTGAGES AND LIENS			
1401) Determine all liabilities of the decedent at death.	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
1402) Reference any real property liability to the Schedule A, E, F, G, or H asset to which it relates.	_____	_____	_____
1403) Review items which may also be deducted for federal income tax purposes (deductions in respect of decedent).	_____	_____	_____
1404) Determine any gift or income tax payable at death. See Regs. 20.2053-6(f), for allocation of income tax liability of the decedent and surviving spouse for joint return for the year of death.	_____	_____	_____
1405) Consider the support or alimony obligation of decedent under divorce decree or settlement.	_____	_____	_____
1500) SCHEDULE L - NET LOSSES DURING ADMINISTRATION AND EXPENSES INCURRED IN ADMINISTERING PROPERTY NOT SUBJECT TO CLAIMS			
1501) Include casualty losses not taken on the federal income tax return for the estate. Include at value used for federal estate tax return purposes.	_____	_____	_____
1502) Include expenses for settlement of title or collection of assets not included in decedent's probate estate. (Do not include expenses incurred on behalf of beneficiaries; see Reg. 20.2053-8.)	_____	_____	_____
1503) Determine details of payments and maintain documentation. Note that the time limit on deductible payment is applicable period of limitations on assessment of estate tax. § 6501	_____	_____	_____
1600) SCHEDULE M - BEQUESTS TO SURVIVING SPOUSE			
1601) Identify and document all probate property passing to the surviving spouse.	_____	_____	_____
1602) Identify and document all non-probate property which passes to the surviving spouse (e.g., life insurance, employee plan death benefits and certain jointly owned property).	_____	_____	_____
1603) Determine and document whether the marital property bears any part of the taxes, debts or administrative expenses of the estate.	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
1604) Consider whether a qualified disclaimer has expanded or reduced a marital deduction for the estate. Review § 2518 and applicable state law.	_____	_____	_____
1605) Determine whether the will creates a limited marital deduction under a "maximum marital deduction" formula clause, because of the transitional rule of ERTA '81, Section 403(e).	_____	_____	_____
1606) If a QTIP election is to be made:			
.1) Determine values and document.	_____	_____	_____
.2) Insure proper treatment on Schedule M.	_____	_____	_____
1607) If the surviving spouse is not a U.S. citizen, then additional requirements must be met before a marital deduction is available. See Qualified Domestic Trust (QDOT) rules of § 2056A.	_____	_____	_____
 1700) SCHEDULE O - CHARITABLE PUBLIC AND SIMILAR GIFTS AND BEQUESTS			
1701) Identify and document items passing under the will or other governing instrument to qualified charities.	_____	_____	_____
1702) Review the will or other governing instruments giving rise to charitable deductions involving charitable split-interest trusts or bequests.	_____	_____	_____
1703) Determine whether any charitable gifts or bequests bear any of the estate's taxes, debts, or administrative expenses.	_____	_____	_____
1704) Review disclaimers to determine whether charitable deduction is affected.	_____	_____	_____
1705) Determine whether any charitable split-interest trust requires reformation in order to obtain estate tax charitable deduction.	_____	_____	_____
1706) Obtain certified copies of all recorded documents for all lifetime transfers to be listed. If document of transfer was not recorded, obtain verified copies.	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
1800) SCHEDULE P - CREDIT FOR FOREIGN DEATH TAXES			
1801) Obtain and complete Form(s) 706CE for foreign death tax credit claim. (Note: A U.S. possession is treated as a foreign country.)	_____	_____	_____
1802) Consider whether to claim credit or deduction as administration expense.	_____	_____	_____
1803) Consult applicable treaty for possible additional credit available.	_____	_____	_____
1804) Calculate credit under various alternatives to determine best result.	_____	_____	_____
1900) SCHEDULE Q - CREDIT FOR PRIOR TRANSFERS			
1901) Determine if decedent acquired property within the ten year period ending with his death or received property from a transferor who died within two years after decedent's death. If so, obtain a copy of the transferor's estate tax return in order to calculate the credit.	_____	_____	_____
1902) Review the definition of "property" (§ 2013(e)) received by the decedent for purposes of claiming the credit.	_____	_____	_____
1903) If the transferee (decedent) was the transferor's spouse, determine if a marital deduction was allowed to the transferor's estate for the property. If so, the credit may not be available.	_____	_____	_____
1904) Determine if transferor's estate elected special use valuation and became subject to the additional estate tax of § 2032A(c) as a result of its disposition or cessation of qualified use at any time up to two years after the death of the decedent.	_____	_____	_____
1905) Review § 2056(d)(3) for specific rules allowing a credit for certain transfers to a spouse who was not a U.S. citizen when the property passed outright to the spouse, or to a QDOT.	_____	_____	_____
1906) If property was acquired from more than one transferor, calculate allowable credit separately with respect to each transferor.	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
2000) SCHEDULES R AND R-1 - GENERATION-SKIPPING TRANSFER TAX (GSTT)			
2001) Obtain copies of trusts (and related tax returns), life insurance policies or other lifetime arrangements which decedent created, and review for generation-skipping provisions.	_____	_____	_____
2002) Obtain copies of trusts (and related tax returns), life insurance policies or other lifetime arrangements which another individual created and in which decedent had an interest, and review for generation-skipping implications.	_____	_____	_____
2003) Review lifetime transfers and determine if the generation-skipping implications have been properly reflected on gift tax returns filed by the decedent (and the decedent's spouse and/or former spouses), considering the allocation of the decedent's one-time \$2 million per grandchild exclusion and the \$1 million lifetime exemption under § 2631.	_____	_____	_____
.1) If a deemed allocation under § 2632(b) occurred with respect to transfers not reported on gift tax returns, determine the impact on the \$2 million exclusion.	_____	_____	_____
.2) If allocation of the \$1 million lifetime exemption was not made on a timely filed gift tax return or deemed made under § 2632(b)(1), determine that values at the time of allocation are calculated and that a filing is made to allocate such amount, per § 2642(b)(3).	_____	_____	_____
2004) If decedent was incompetent at death, determine when he became incompetent. Review the transitional rules which exempt from the tax certain transfers occurring at death where the decedent was incompetent on October 22, 1986 and continually thereafter until death.	_____	_____	_____
2005) If decedent created an irrevocable trust before September 26, 1985, determine whether any additions to the trust (actual or constructive) were made after September 25, 1985.	_____	_____	_____
2006) Review trusts created after September 25, 1985 which have received property from trusts created before that date through the exercise of a special power of appointment. Grandfathering of an exemption from tax liability may arise under Reg. 26.2601-1(b)(4) and Reg. 26.2601-1(b)(1)(v)(B).	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
2007) Determine whether a "reverse qualified terminable interest property election" under § 2652(a)(3) should be made to treat the decedent as a transferor for GSTT purposes for any marital transfers for which a QTIP election was made under § 2056(b)(7) on Schedule M of the decedent's estate tax return. Review formulas for reverse QTIP elections and separate marital trusts created thereby.	_____	_____	_____
2008) Determine whether a "reverse qualified terminable interest property election" has been made by decedent's predeceased spouse, and an allocation of the GSTT exemption made on such spouse's estate tax return.	_____	_____	_____
.1) Determine whether estate tax payment from a source outside the decedent's estate (e.g., insurance trust) is a constructive addition to this otherwise exempt amount.	_____	_____	_____
.2) If no such election was made for QTIP property in which the decedent had a qualifying income interest for life, consider whether the decedent's GSTT exemption under § 2631 should be allocated to the trust.	_____	_____	_____
2009) Consider impact on the tax calculation of use of alternate valuation election under § 2032.	_____	_____	_____
2010) Consider impact on the tax calculation of use of special use valuation election under § 2032A.	_____	_____	_____
2011) Determine if there was any consideration paid by the donee in any generation-skipping transfer which would reduce the amount subject to GSTT.	_____	_____	_____
2012) Review life insurance trusts and other trusts created after March 31, 1988 to determine whether trust's use of <u>Crummey</u> powers to create nontaxable gifts for gift tax purposes will also be eligible for the annual exclusion for GSTT purposes.	_____	_____	_____
2013) Determine the amount of GSTT exemption used in the payment of insurance premiums.	_____	_____	_____
2014) Review charitable lead annuity trusts created after September 25, 1985 for GSTT impact on the computation of the exclusion ratio, and consider the impact on the inclusion ratio of property transferred to the trust after October 13, 1987 under § 2642(e).	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
2015) Review transfers to persons unrelated to the decedent who are more than 37 1/2 years younger to determine whether allocation of the GSTT exemption under § 2631 should be made. See § 2651(d).	_____	_____	_____
2016) Review the consequences of qualified disclaimer(s) on potential GSTT transfers. Consider the use of a qualified disclaimer to maximize the decedent's GSTT exemption.	_____	_____	_____
2017) Determine whether property transferred (which would otherwise be a generation skipping transfer) was not previously subject to gift tax. Under certain circumstances, such transfers are not GSTT transfers under § 2611(b).	_____	_____	_____
2018) Determine whether the GSTT allocation is appropriate for a grantor retained interest trust where the grantor died during the term of the trust.	_____	_____	_____
2019) Consider use of the GSTT exemption for a credit shelter trust or a charitable remainder trust, if applicable, as well as a general review of the proper allocation of any remaining exemption.	_____	_____	_____
2020) If a pecuniary formula marital deduction bequest is made, review possible applicability of the GSTT where the decedent's estate appreciates between the date of death and the date of funding. Funding under these circumstances is to occur using date of death values.	_____	_____	_____
2100) SCHEDULE S - INCREASED ESTATE TAX ON EXCESS RETIREMENT ACCUMULATIONS			
2101) If the decedent had an interest in a qualified plan, SEP, IRA, or tax-sheltered annuity, with death benefits attributable to pretax contributions, determine amount so attributable. Obtain the last Form 8606 filed by the decedent and other information to determine any after tax contributions.	_____	_____	_____
2102) Ascertain whether the decedent made the grandfather election with his or her 1987 or 1988 federal income tax return, which affects the calculation of the excess accumulation.	_____	_____	_____
2103) Determine if at least 99% of all benefits from all applicable plans are payable to the decedent's surviving spouse. If so, the surviving spouse may elect to postpone the tax until he or she collects the benefits. The surviving spouse's signed election must be attached to the Form 706.	_____	_____	_____

ESTATE TAX RETURN CHECKLIST
FORM 706 (Revised October 1991)

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
2104) For the purpose of calculating the hypothetical life annuity, ascertain the federal rate to be used to value the base amount, which is the present value of a single life annuity, based upon the life expectancy of someone the decedent's age and the prevailing interest rate at death. The interest rate is announced monthly in a revenue ruling.	_____	_____	_____
2105) Determine if decedent's estate includes retirement amounts previously included in decedent's spouse's estate for which the executor elected to postpone the excise tax. If so, calculate tax on any unpaid amounts at decedent's death.	_____	_____	_____
COMMENTS OR EXPLANATIONS			

TAX-EXEMPT ORGANIZATION CHECKLIST

The checklist developed by the Committee is contained on the following page. It is intended to highlight certain items critical to the preparation of the return without reiterating the detailed instructions provided by the I.R.S.

The committee has also prepared an Organizer for Tax Exempt Organizations which is a good source for more detailed information necessary to prepare Form 990. The Organizer can be used to gather the necessary information from the client as well as to assist the preparer in completion of the return.

The organizer is located in the Practice Guides section of the materials.

TAX-EXEMPT ORGANIZATION RETURN CHECKLIST **1992 - FORM 990**

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>Done</u>	<u>N/A</u>		<u>Done</u>	<u>N/A</u>
GENERAL INFORMATION			BALANCE SHEET		
1. Review last year's returns/workpapers.	<input type="checkbox"/>	<input type="checkbox"/>	1. Attach required supporting schedules.	<input type="checkbox"/>	<input type="checkbox"/>
2. Review permanent file/IRS determination letter.	<input type="checkbox"/>	<input type="checkbox"/>	2. Cross reference fund balances to page 1.	<input type="checkbox"/>	<input type="checkbox"/>
3. Consider engagement letter.	<input type="checkbox"/>	<input type="checkbox"/>	DISPOSITION OF ASSETS		
4. Consider filing 990-EZ.	<input type="checkbox"/>	<input type="checkbox"/>	1. Consider other capital gains/losses.	<input type="checkbox"/>	<input type="checkbox"/>
5. Consider \$25,000 gross receipts test.	<input type="checkbox"/>	<input type="checkbox"/>	2. Worthless securities or bad debts.	<input type="checkbox"/>	<input type="checkbox"/>
6. Determine if private foundation. Complete 990-PF.	<input type="checkbox"/>	<input type="checkbox"/>	UBIT GENERAL INFORMATION		
7. Complete Schedule A.	<input type="checkbox"/>	<input type="checkbox"/>	1. Determine if there is an unrelated trade or business.	<input type="checkbox"/>	<input type="checkbox"/>
8. Consider below market loans.	<input type="checkbox"/>	<input type="checkbox"/>	2. Determine if publicly traded limited partnership interests are owned.	<input type="checkbox"/>	<input type="checkbox"/>
9. Consider any change in activities.	<input type="checkbox"/>	<input type="checkbox"/>	3. Determine if a partnership interest is is owned.	<input type="checkbox"/>	<input type="checkbox"/>
10. Consider filing a group return.	<input type="checkbox"/>	<input type="checkbox"/>	4. Determine if there was a sale of a partnership interest. File Form 8308.	<input type="checkbox"/>	<input type="checkbox"/>
11. Determine if state returns are required.	<input type="checkbox"/>	<input type="checkbox"/>	5. Prepare tax shelter reporting Form 8271.	<input type="checkbox"/>	<input type="checkbox"/>
REVENUE/EXPENSES			6. Consider substantial understatement of tax liability (§ 6662).	<input type="checkbox"/>	<input type="checkbox"/>
1. List officers, compensation, etc.	<input type="checkbox"/>	<input type="checkbox"/>	7. Complete Form 990-T.	<input type="checkbox"/>	<input type="checkbox"/>
2. List program services rendered.	<input type="checkbox"/>	<input type="checkbox"/>	8. Determine if estimated tax payments are required.	<input type="checkbox"/>	<input type="checkbox"/>
3. List revenue from program services.	<input type="checkbox"/>	<input type="checkbox"/>	MISCELLANEOUS		
4. Ensure that cash method of accounting is used in Schedule A, Part IV.	<input type="checkbox"/>	<input type="checkbox"/>	1. Consider tax audits/exams during year. Copy of report for file. Consider any refund or additional tax/penalties. Amend state or other years for changes.	<input type="checkbox"/>	<input type="checkbox"/>
5. Complete analysis of income producing activities, Schedule A, Part VII.	<input type="checkbox"/>	<input type="checkbox"/>	2. File required information returns.	<input type="checkbox"/>	<input type="checkbox"/>
6. Compute depreciation.	<input type="checkbox"/>	<input type="checkbox"/>	3. Determine if employment taxes paid/timely deposits.	<input type="checkbox"/>	<input type="checkbox"/>
7. Determine that employee use of company vehicle is handled correctly.	<input type="checkbox"/>	<input type="checkbox"/>			
8. Attach required supporting schedules.	<input type="checkbox"/>	<input type="checkbox"/>			
9. Prepare any required statement of functional expenses.	<input type="checkbox"/>	<input type="checkbox"/>			

TAX-EXEMPT ORGANIZATION RETURN CHECKLIST
1992 - FORM 990

Done N/A

- | | | |
|---|--------------------------|--------------------------|
| 4. Determine if Form 1120-POL is required. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Determine if donation Form 8282 is required. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Attach extension requests to return. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Prepare filing instructions/transmittal. | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Note any tax planning suggestions. | <input type="checkbox"/> | <input type="checkbox"/> |

ONE PAGE VERSION
INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>Done</u>	<u>N/A</u>		<u>Done</u>	<u>N/A</u>
GENERAL INFORMATION					
1. Confirm taxpayer information, filing status and dependents.	<input type="checkbox"/>	<input type="checkbox"/>	Moving expense.	<input type="checkbox"/>	<input type="checkbox"/>
			Casualty losses.	<input type="checkbox"/>	<input type="checkbox"/>
			Allocation and limitation of interest.	<input type="checkbox"/>	<input type="checkbox"/>
2. Review prior year returns, workpapers, correspondence, and audit results.	<input type="checkbox"/>	<input type="checkbox"/>	2. Limit on meals and entertainment (80%).	<input type="checkbox"/>	<input type="checkbox"/>
3. Obtain signed engagement letter.	<input type="checkbox"/>	<input type="checkbox"/>	3. Consider Form 8283 for noncash donations.	<input type="checkbox"/>	<input type="checkbox"/>
4. Check for carryovers and update schedules.	<input type="checkbox"/>	<input type="checkbox"/>	4. Consider depreciation and amortization requirements and options, including:		
5. Determine that accounting methods comparable with prior year.	<input type="checkbox"/>	<input type="checkbox"/>	§ 179 election.	<input type="checkbox"/>	<input type="checkbox"/>
6. Properly report adjustments for accounting method changes.	<input type="checkbox"/>	<input type="checkbox"/>	Rules for MACRS, ACRS and non-recovery property.	<input type="checkbox"/>	<input type="checkbox"/>
			Listed property.	<input type="checkbox"/>	<input type="checkbox"/>
			Operating vs. capital lease.	<input type="checkbox"/>	<input type="checkbox"/>
			Correct amortization period.	<input type="checkbox"/>	<input type="checkbox"/>
7. Check proforma accuracy.	<input type="checkbox"/>	<input type="checkbox"/>	TAX COMPUTATION AND CREDITS		
INCOME			1. Compute alternative minimum tax.	<input type="checkbox"/>	<input type="checkbox"/>
1. For sales or other disposition of property consider:			2. Compute self-employment tax and deduction.	<input type="checkbox"/>	<input type="checkbox"/>
Recapture.	<input type="checkbox"/>	<input type="checkbox"/>	3. Compute all credits, carryovers, recaptures.	<input type="checkbox"/>	<input type="checkbox"/>
Interest rates on debt.	<input type="checkbox"/>	<input type="checkbox"/>	4. Compute tax on premature distributions.	<input type="checkbox"/>	<input type="checkbox"/>
Installment sales.	<input type="checkbox"/>	<input type="checkbox"/>	5. Claim credit for excess FICA, other withholding.	<input type="checkbox"/>	<input type="checkbox"/>
Taxable/deferred gain on sale of residence.	<input type="checkbox"/>	<input type="checkbox"/>	6. Prepare estimate vouchers.	<input type="checkbox"/>	<input type="checkbox"/>
Holding period.	<input type="checkbox"/>	<input type="checkbox"/>	OTHER		
Worthless stock/bad debt.	<input type="checkbox"/>	<input type="checkbox"/>	1. Compare taxable income to any projections for reasonableness.	<input type="checkbox"/>	<input type="checkbox"/>
2. Consider the following:			2. Report tax shelters. Form 8271.	<input type="checkbox"/>	<input type="checkbox"/>
Annuities, retirement plans, IRAs.	<input type="checkbox"/>	<input type="checkbox"/>	3. Consider foregoing NOL carryback.	<input type="checkbox"/>	<input type="checkbox"/>
Limitations due to at-risk and basis.	<input type="checkbox"/>	<input type="checkbox"/>	4. Consider inclusion of child's taxable income.	<input type="checkbox"/>	<input type="checkbox"/>
Passive loss limitations and elections.	<input type="checkbox"/>	<input type="checkbox"/>	5. Prepare state and local returns.	<input type="checkbox"/>	<input type="checkbox"/>
Alimony.	<input type="checkbox"/>	<input type="checkbox"/>	6. Consider other returns. (e.g., gift, qualified plans).	<input type="checkbox"/>	<input type="checkbox"/>
Dividends, interest.	<input type="checkbox"/>	<input type="checkbox"/>	7. Note any tax planning suggestions.	<input type="checkbox"/>	<input type="checkbox"/>
Salaries and fringe benefits.	<input type="checkbox"/>	<input type="checkbox"/>			
Rents	<input type="checkbox"/>	<input type="checkbox"/>			
Tax benefit rules.	<input type="checkbox"/>	<input type="checkbox"/>			
Discharge of indebtedness.	<input type="checkbox"/>	<input type="checkbox"/>			
DEDUCTIONS					
1. Consider the following:					
Home office. Form 8829.	<input type="checkbox"/>	<input type="checkbox"/>			
IRA, SEP, Keogh contribution.	<input type="checkbox"/>	<input type="checkbox"/>			

SHORT VERSION
INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
100) GENERAL INFORMATION			
101) Review and update basic taxpayer information (address, dependents, etc.), prior return and workpapers.	_____	_____	_____
102) Consider signed engagement letter.	_____	_____	_____
103) Obtain information concerning any IRS or state tax audits, and/or correspondence.	_____	_____	_____
104) Check for carryover items and update carryforward schedules.	_____	_____	_____
105) Determine that accounting methods used are comparable to the preceding year unless changes are approved or required.	_____	_____	_____
106) If accrual method of accounting, note economic performance election.	_____	_____	_____
107) Check computer generated proforma for accuracy.	_____	_____	_____
200) INCOME			
201) Determine interest exempt from federal or state taxation and determine if any is subject to alternative minimum tax.	_____	_____	_____
202) Determine if any alimony paid or received.	_____	_____	_____
203) Sale or other disposition of property:			
.1) Check for recapture items.	_____	_____	_____
.2) Review interest rates on debt instruments.	_____	_____	_____
.3) Consider installment reporting for sales that qualify.	_____	_____	_____

SHORT VERSION
INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.4) Determine amounts taxable and/or deferred from sale of personal residence.	_____	_____	_____
.5) Determine holding period and tax basis of property sold.	_____	_____	_____
204) Determine proper reporting of all annuities, and qualified retirement plan and IRA distributions, considering the various options for taxing lump-sum distributions from retirement plans.	_____	_____	_____
205) Consider regular and AMT passive activity loss limitations, carryovers and elections. (See Passive Activity Checklist.)	_____	_____	_____
206) Review K-1s to determine that all are present and that all items have been properly reported.	_____	_____	_____
207) Determine if any basis limitation rules apply; e.g., §§ 465, 704(d), 1366(d).	_____	_____	_____
208) Inquire about other possible sources of income such as salaries, dividends, interest, rents, taxable fringe benefits, discharge of indebtedness income.	_____	_____	_____
300) DEDUCTIONS			
301) Consider home office deduction, limitations and carryovers. (Form 8829.)	_____	_____	_____
302) Determine if the taxpayer is entitled to deduction for contribution to IRA, Keogh, etc.	_____	_____	_____
303) Determine the proper allocation to and limitations on deductions for interest and other expenses relating to:			
.1) Investment expenditures.	_____	_____	_____
.2) Personal (consumer) expenditures.	_____	_____	_____
.3) Qualified residence interest.	_____	_____	_____
.4) Trade or business expenditures.	_____	_____	_____

SHORT VERSION
INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.5) Passive activity expenditures.	_____	_____	_____
.6) Tax-exempt investments.	_____	_____	_____
.7) Capitalization of interest during construction.	_____	_____	_____
.8) Interest on qualified plan loans.	_____	_____	_____
.9) Meals and entertainment expenses (80%).	_____	_____	_____
.10) Self-employed health insurance.	_____	_____	_____
304) Consider requirement to file Form 8283 for charitable contributions other than cash.	_____	_____	_____
305) Consider all depreciation requirements and options including:			
.1) § 179 election.	_____	_____	_____
.2) Separate rules for non-recovery property, ACRS and MACRS.	_____	_____	_____
.3) Requirements relating to listed property.	_____	_____	_____
.4) Determine if leases are operating leases or capital leases.	_____	_____	_____
306) Determine that all amortizable items are written off over the correct period.	_____	_____	_____
307) Inquire about other possible deductions (such as charitable contributions, medical expense, taxes, moving expenses, employee business expense, worthless securities, casualty losses, vacation homes, etc.)	_____	_____	_____
400) TAX COMPUTATION AND CREDITS			
401) Compute alternative minimum tax.	_____	_____	_____
402) Compute self-employment tax and related deduction.	_____	_____	_____

SHORT VERSION
INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
403) Compute all applicable credits including carryovers.	_____	_____	_____
404) Compute investment credit recapture.	_____	_____	_____
405) Compute tax on premature distributions from retirement accounts and annuities.	_____	_____	_____
406) Claim credit for excess FICA, other withholding, estimated and extension tax payments.	_____	_____	_____
407) Determine need for estimated tax payments for next year. Note limitation on the use of 100% of prior year's tax safe harbor.	_____	_____	_____
408) Compute penalty for excess contribution to IRA or Keogh.	_____	_____	_____
500) OTHER REQUIREMENTS			
501) Compare taxable income to any projections for reasonableness.	_____	_____	_____
502) Determine if Form 8271 is required for tax shelters.	_____	_____	_____
503) Consider capitalization of carrying charges on non-productive property.	_____	_____	_____
504) Consider election to forego net operating loss carryback.	_____	_____	_____
505) Consider need to disclose taxable income information on dependent's returns.	_____	_____	_____
506) If parent elects to report child's interest and dividends, prepare Form 8814.	_____	_____	_____
507) Inquire if the taxpayer has required records for travel, entertainment, gift and listed property deductions.	_____	_____	_____
508) Consider risk of accuracy related penalties. (§ 6662)	_____	_____	_____
509) Prepare state and local tax returns.	_____	_____	_____

SHORT VERSION

1992 - FORM 1040

<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
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INDIVIDUAL INCOME TAX RETURN CHECKLIST 1992 - FORM 1040

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
100) GENERAL INFORMATION			
101) Review the taxpayer's name, age, social security number, address, occupation, filing status, number of exemptions and other dependents, and IRS and State Service Centers. Obtain social security numbers for dependents over age 1. Note personal exemption phase-out.	_____	_____	_____
102) Review prior year returns, memos, workpapers and correspondence files.	_____	_____	_____
103) Consider signed engagement letter.	_____	_____	_____
104) If the taxpayer has been examined by the Internal Revenue Service or state:			
.1) Obtain copies of the revenue agent's reports.	_____	_____	_____
.2) Verify that the agent's adjustments have been entered in the taxpayer's records.	_____	_____	_____
.3) If any of the agent's adjustments affect income tax returns of years other than those audited, or the corresponding federal or state returns for the same year, consider filing amended returns.	_____	_____	_____
105) Determine if accounting methods used are comparable to the preceding year unless changes are approved or required.	_____	_____	_____
106) If accrual method of accounting, note exception from economic performance for recurring items. Under final regulations, the election is made by accounting for items under the recurring method on a timely filed 1992 tax return.	_____	_____	_____
107) Review and update schedules for carryover items such as:			
.1) Net operating loss.	_____	_____	_____
.2) Capital loss.	_____	_____	_____
.3) Investment credit.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.4) Alternative Minimum Tax Credit.	_____	_____	_____
.5) Other credits. (Foreign tax credits, child care credit, etc.)	_____	_____	_____
.6) Charitable contributions.	_____	_____	_____
.7) Installment sales.	_____	_____	_____
.8) Retirement plan contribution.	_____	_____	_____
.9) Passive activity losses and credits (regular and AMT).	_____	_____	_____
.10) Publicly traded partnership losses.	_____	_____	_____
.11) Change of accounting adjustments (§ 481).	_____	_____	_____
.12) Home office deductions.	_____	_____	_____
.13) § 179.	_____	_____	_____
.14) Investment interest expense.	_____	_____	_____
.15) Home mortgage points for amortization.	_____	_____	_____
.16) Nontaxable or reinvested dividends.	_____	_____	_____
.17) Deadline for replacing personal residence sold in a prior year and for involuntary conversions.	_____	_____	_____
.18) S corporation and partnership basis.	_____	_____	_____
.19) Percentage depletion.	_____	_____	_____
108) Inquire whether the taxpayer has made or received any below-market-rate loans. If so, determine imputed interest consequences.	_____	_____	_____
109) If computer generated return, review proforma for accuracy.	_____	_____	_____
200) INCOME			
201) Review taxpayer's Form W-2:			
.1) Determine that any taxable employee benefits are included on Form W-2.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.2) Determine whether Form 2441 is needed for reporting dependent care expenses appearing on Form W-2.	_____	_____	_____
.3) Determine whether reimbursed employee business expenses were included in wages.	_____	_____	_____
.4) Note any differences between federal and state taxable income.	_____	_____	_____
202) Determine if taxpayer had investment income from foreign companies and if tax was withheld at the source.	_____	_____	_____
203) Disclose exempt interest on state and municipal bonds on the federal return.	_____	_____	_____
204) Determine if any exempt interest is subject to alternative minimum tax.	_____	_____	_____
205) Consider excluding interest from United States securities and U.S. Treasury mutual funds from the state return.	_____	_____	_____
206) Consider whether municipal bond interest excluded on federal should be added back to state return.	_____	_____	_____
207) Compare sources of dividend and interest income with prior year items. Identity of payor should agree with 1099.	_____	_____	_____
208) Review dividends in order to segregate taxable, non-taxable and capital gain portions.	_____	_____	_____
209) Review reporting of any state tax refunds based on the tax benefit rule.	_____	_____	_____
210) Determine if taxpayer paid or received alimony during the year. Insure that child support payments are not included. If taxpayer paid alimony, include the recipient's name and social security number on Form 1040.	_____	_____	_____
211) Determine that installment sales are reported properly:			
.1) Determine that the full amount of depreciation recapture is reported in the year of sale whether or not payment was received in that year.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.2) Review for adequate stated interest on debt instruments received in connection with the sale. Determine whether original issue discount or unstated interest rules require restatement of note interest and principal.	_____	_____	_____
.3) Determine if the taxpayer is a "dealer" with respect to the related property. If so:			
(a) Determine that the installment method is <u>not</u> used to report post December 31, 1987 sales of dealer property. (Exceptions: farm property, certain timeshare rights, and residential lots if proper election is made.)	_____	_____	_____
(b) Determine that the interest owed as a result of an election (a) above is properly reported.	_____	_____	_____
.4) Consider special rules for installment reporting by certain non-dealers of real (post 1986 sales) or personal property (post 1988 sales) where the sales price exceeds \$150,000. (§ 453A) (Does not apply to certain farm property and certain individual use property.)	_____	_____	_____
(a) Compute the interest charge imposed on outstanding tax deferred installment obligations if the face amount of these obligations that arose during, and are still outstanding at the close of, the tax year exceeds \$5,000,000.	_____	_____	_____
(b) Determine that the proper amount is treated as a collection on any pledged installment obligation.	_____	_____	_____
.5) Consider election out of installment method.	_____	_____	_____
212) If a residence or other property was sold, exchanged, or involuntarily converted during the year:			
.1) Consider non-recognition of gain or loss and related elections.	_____	_____	_____
.2) Obtain closing statements, loan disbursement statements, capital improvements or other basis adjustments and most recent Form 2119.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.3) Consider recapture of depreciation and/or investment tax credit (home office and related equipment).	_____	_____	_____
.4) Consider rules for like-kind exchanges and rules for related party exchanges. (Form 8824)	_____	_____	_____
.5) Consider one time \$125,000 exclusion.	_____	_____	_____
.6) Consider that the replacement period for property involuntarily converted is determined by the type of property.	_____	_____	_____
213) Review application of the wash sale rules.	_____	_____	_____
214) Determine if any sales of securities settled after year end, with a trade date within current year, are reported this year. Note special rules for short sales in § 1233.	_____	_____	_____
215) Reconcile transactions reported on Forms 1099B and 1099S to all transactions.	_____	_____	_____
216) For § 1231 gains, determine the amounts, if any, subject to ordinary income treatment as a result of prior five years' § 1231 losses.	_____	_____	_____
217) Determine holding period and federal and state tax basis of property sold.	_____	_____	_____
218) If the taxpayer recovered amounts previously deducted, consider tax benefit rules.	_____	_____	_____
219) Consider all options for lump-sum distributions from retirement plans:			
.1) The one-time election for five-year averaging available only after age 59-1/2.	_____	_____	_____
.2) Election to treat capital gains portion as ordinary income.	_____	_____	_____
.3) The transition rule - taxpayers reaching 50 before 1986 have a one-time election to:			
(a) Elect capital gains without regard to five-year phase-out, and	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(b) Elect either five-year averaging with current year rates or ten-year averaging with 1986 tax rates.	_____	_____	_____
220) For IRA, pension or annuity distributions, consider:			
.1) Nontaxable portions (federal and state).	_____	_____	_____
.2) Applicability of early withdrawal penalty.	_____	_____	_____
.3) Qualified rollover within sixty days of distribution.	_____	_____	_____
.4) Whether taxpayer has met 70-1/2 minimum withdrawal requirements.	_____	_____	_____
221) Determine if § 465 at-risk, § 704(d) and/or § 1366(d) basis rules apply.	_____	_____	_____
222) For prior year losses limited by at-risk rules, determine if additional basis has been generated in the current year to deduct all or a portion of the losses.	_____	_____	_____
223) Consider at-risk limitation (Form 6198) and hobby loss rules on sole-proprietor Schedule C.	_____	_____	_____
224) If the taxpayer is an S corporation shareholder who made loans to the corporation, check for gain on repayment.	_____	_____	_____
225) Compare sources of all K-1s with prior year. Review current K-1s to determine that all items have been properly included.	_____	_____	_____
226) If a distribution or technical termination has occurred in a partnership consider making a § 732(d) election.	_____	_____	_____
227) For passive activities see Passive Activity Checklist and consider:			
.1) Limiting losses from the passive activity.	_____	_____	_____
.2) Passive activity elections.	_____	_____	_____
.3) Review passive activity dispositions for possible additional passive income or full utilization of loss.	_____	_____	_____
.4) Self-charged interest rules.	_____	_____	_____
228) Designate and include income subject to self-employment tax (Schedule C, Partnership and Other Income).	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
229) Determine taxability of any scholarships, fellowships, social security benefits or disability income received. (Unemployment benefits are fully taxable.)	_____	_____	_____
230) Determine if there is any discharge of indebtedness income and consider exclusions under § 108.	_____	_____	_____
231) Determine other sources of income, e.g., gambling winnings, lotteries, jury duty.	_____	_____	_____
232) Consider the reporting of income and deductions in respect of decedents.	_____	_____	_____
233) For leased vehicles and property, determine the business and personal usages and calculate the appropriate income to be reported by referring to the IRS tables.	_____	_____	_____
300) DEDUCTIONS			
301) For all businesses of the taxpayer reported on Form 1040:			
.1) Review the taxpayer's vacation pay policy to determine if a deduction is allowable on the accrual basis (vested at year-end and paid within 2-1/2 months after year-end).	_____	_____	_____
.2) Consider the applicability of uniform capitalization rule to resellers with annual gross receipts in excess of \$10 million and all producers of property.			
(a) Determine that all costs are included.	_____	_____	_____
(b) Consider interest capitalization rules for debt incurred to produce property.	_____	_____	_____
(c) If the beginning inventory is revalued:			
(i) Ascertain the amount of adjustment required for the beginning inventory due to the change in method of accounting. (§ 481)	_____	_____	_____
(ii) Ascertain § 481 forward spread period (not to exceed four years).	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(iii) Determine that Form 3115 and the § 263A checklist (Notice 88-92) are attached to the tax return in the year of change.	_____	_____	_____
(iv) Consider electing "simplified" methods.	_____	_____	_____
(d) For farmers and ranchers consider:			
(i) One-time election out of uniform capitalization rules if election was not required in a prior year.	_____	_____	_____
(ii) The exemption for expenses incurred in the production of animals.	_____	_____	_____
(e) Review the definition of "producer". (Reg. 1.263A-1T(a)(5)(ii))	_____	_____	_____
.3) For long-term contracts entered into after February 28, 1986:			
(a) Determine that taxpayers reporting under the completed-contract method recognize the appropriate amount of related income on the percentage-of-completion method. Note that the completed contract method is repealed for most contracts entered into after 7-10-89.	_____	_____	_____
(b) Consider modifications to the percentage-of-completion method:			
(i) Completion percentage based on costs, not work performed.	_____	_____	_____
(ii) The expanded requirement to capitalize costs similar to uniform capitalization rules.	_____	_____	_____
(iii) The requirement to compare prior year estimate inaccuracies with actual costs at completion of the contract and pay/claim interest on related change to prior year taxes ("Look-Back Rule") (Form 8697).	_____	_____	_____
(iv) Contract aggregation rules.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(v) Option to "automatically" change to percentage of completion.	_____	_____	_____
(vi) Related party rules.	_____	_____	_____
(c) Consider 10% de minimis rule.	_____	_____	_____
(d) Consider simplified method.	_____	_____	_____
.4) Compute self-employment tax deduction. (§ 164(f))	_____	_____	_____
.5) Consider home office deductions, limitations and carryovers. (Form 8829.)	_____	_____	_____
302) If employer included 100% of value of use of employer provided auto, etc., on W-2 inquire:			
.1) If client has evidence to support deduction for a portion of the included amount as business use.	_____	_____	_____
.2) If such evidence is written.	_____	_____	_____
303) Determine the applicability of a moving expense deduction and whether any associated reimbursement is properly reported. Consider qualified real estate expenses such as closing costs and lease expenses.	_____	_____	_____
304) Determine if the taxpayer is entitled to a deduction for contributions to an IRA or, in his capacity as a self-employed individual, for contributions to a Keogh or a self-employed SEP and review possible alternatives with taxpayer before the return due date:			
.1) Determine that IRA contributions have been or will be made no later than April 15, 1993. Keogh/SEP plan contributions must be made by the due date of the return, including extensions.	_____	_____	_____
.2) Alimony income qualifies for IRA contributions.	_____	_____	_____
.3) Prepare Form 8606 for non-deductible IRA contributions.	_____	_____	_____
.4) Consider informing client about a possible need to file Form 5500.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.5) Determine that Keogh was set up prior to 1993.	_____	_____	_____
305) For medical deductions consider:			
.1) Medical travel deductions.	_____	_____	_____
.2) Deduction of Medicare premiums.	_____	_____	_____
.3) Self-employed health insurance deduction. (S corporation shareholders must receive wages to be eligible for the deduction).	_____	_____	_____
.4) That unnecessary cosmetic surgery is not deductible and reimbursements for such costs are not excludable from gross income.	_____	_____	_____
.5) If medical insurance reimbursement for prior years has been received, determine whether such reimbursement should be reported as income.	_____	_____	_____
306) Investment interest:			
.1) Limit the taxpayer's deduction for investment interest to net investment income.	_____	_____	_____
.2) In computing net investment income, deduct investment expenses after application of the 2% AGI floor.	_____	_____	_____
307) Determine that personal interest was not deducted.	_____	_____	_____
308) Determine that qualified residence interest is limited to the principal residence of the taxpayer and one other qualified residence of the taxpayer; that all such debts are secured by such residences and "perfected" and the deduction is limited to:			
.1) Interest paid on acquisition indebtedness. Acquisition debt is either debt incurred before October 14, 1987, or not more than \$1,000,000 in debt incurred after October 13, 1987, to acquire, construct or substantially improve any qualified residence; and	_____	_____	_____
.2) Home equity indebtedness. Home equity debt cannot exceed the lesser of \$100,000 or the fair market value of the residence reduced by the acquisition indebtedness with respect to such residence.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.3) Consider election out of qualified residence interest for appropriate debt (interest on excess debt may be classified as investment interest etc.)	_____	_____	_____
309) Allocation of interest expense:			
.1) Determine that the proper allocations have been made dividing interest expense among type (trade or business, investment, passive activity, personal, tax-exempt expenditures, etc.)	_____	_____	_____
.2) For interest on debts allocated to more than one expenditure, determine that the proper ordering of loan repayments has been considered.	_____	_____	_____
.3) Determine that the debt has been properly reallocated to the expenditure when either:			
(a) The subject of the first expenditure has been disposed of and the proceeds are used for another expenditure, or	_____	_____	_____
(b) The character of the expenditure has changed.	_____	_____	_____
310) Determine if interest deduction limitations apply to interest incurred to purchase or carry market discount bonds or short-term debt obligations.	_____	_____	_____
311) Other interest issues:			
.1) Treat amortizable bond premium (for bonds acquired after 1987) as an offset to interest income.	_____	_____	_____
.2) Consider the capitalization of interest rules when the taxpayer is constructing or producing certain real or tangible personal property.	_____	_____	_____
.3) Eliminate interest expense on debts with respect to life insurance policies (purchased after June 20, 1986) on owners and key employees to the extent that the total of such loans exceeds \$50,000.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.4) Determine that interest is not claimed for any loan made or renewed after 1986 from a qualified retirement plan to a key employee or if such loan is guaranteed by § 401(k) deferrals.	_____	_____	_____
.5) Consider treatment of interest on debt used to acquire an interest in a pass-through entity.	_____	_____	_____
.6) Consider treatment of interest on debt financed distributions from pass-through entities.	_____	_____	_____
312) For charitable contributions consider:			
.1) Charitable contribution limitations.	_____	_____	_____
.2) Reduction of contribution deduction due to value of college athletic tickets or token benefits.	_____	_____	_____
.3) Charitable travel deduction.	_____	_____	_____
.4) That non-cash contributions in excess of \$500 require Form 8283 and possibly an appraisal.	_____	_____	_____
313) Review all personal casualty gains and losses for proper reporting.	_____	_____	_____
314) Consider vacation home deduction limitations.	_____	_____	_____
315) Inquire if the taxpayer can substantiate by adequate records, as required under § 274, expenses claimed for entertainment, gifts, travel, conventions, and listed property. Note \$25 limit on gifts. Consider optional per diem method. (Rev. Proc. 90-15)	_____	_____	_____
316) Limit meals and entertainment deduction to 80%. Consider exceptions.	_____	_____	_____
317) Consider deduction of unused loss carryovers and excess deductions on termination from estates and trusts.	_____	_____	_____
318) Inquire whether taxpayer has any worthless securities, bad debts, or § 1244 stock transactions, (note required statement), to be reflected in the current year return.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
319) Consider limitations on deducting expenses related to federally tax-exempt income. Note that these expenses may be deductible at the state level if income is state taxable.	_____	_____	_____
320) Consider that otherwise allowable deductions, other than medical costs, casualty and theft losses, and investment interest, are reduced by 3% of the taxpayer's adjusted gross income in excess of \$105,250. (\$52,625 for married taxpayers filing separately).	_____	_____	_____
321) For real property taxes, determine if a § 461(c) election to accrue ratably is more beneficial than adopting the recurring item exception. (Rev. Proc. 92-28)	_____	_____	_____
400) DEPRECIATION			
401) Consider various depreciation methods and lives:			
.1) Consider § 179 election to expense qualifying assets. Note proposed amendments to Regs.	_____	_____	_____
.2) For acquisitions after December 31, 1986, determine the MACRS life for each asset placed in service and appropriate depreciation method. (Rev. Proc. 87-56)	_____	_____	_____
.3) Determine the applicable convention (e.g. half-year, mid-quarter).	_____	_____	_____
.4) For leasehold improvements made after December 31, 1986, determine that the cost is being recovered over the applicable recovery period, regardless of the lease period.	_____	_____	_____
.5) Consider electing the alternative depreciation system (150% or SL) for property placed in service during the year.	_____	_____	_____
.6) If a short year, determine that Rev. Proc. 89-15 is followed.	_____	_____	_____
.7) Consider depreciation limitations for IDB financed property, and certified historic structures for which a tax credit was taken.	_____	_____	_____
.8) For farming, determine that MACRS is applied using 150% DB. Note ADS-SL required if elected out of § 263A.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.9) If there has been a purchase price adjustment. See Prop. Reg. 1.168-2(d)(3).	_____	_____	_____
.10) If property is leased to a tax exempt entity, consider the possible need to use the alternative depreciation system (ADS).	_____	_____	_____
402) Make adjustments for depreciable assets which are demolished, obsolete, abandoned and/or out of service. Consider investment credit recapture.	_____	_____	_____
403) For listed property (e.g., cellular phones, autos, computers, airplanes, boats):			
.1) For autos, consider the maximum allowable under the luxury auto rules.	_____	_____	_____
.2) For autos, determine limitation if the business usage is 50% or less.	_____	_____	_____
.3) Determine limitations for all other mixed-use property, if the business usage is 50% or less.	_____	_____	_____
.4) Inquire if the individual has kept the required records indicating the business and personal use of property. Note that certain travel between home and temporary work locations is considered business.	_____	_____	_____
.5) Determine recapture if the business usage is 50% or less.	_____	_____	_____
404) Determine if property/equipment leases are operating leases or capital leases.	_____	_____	_____
405) Form 4562 if required:			
.1) Reconcile depreciation expense to supporting schedules.	_____	_____	_____
.2) Complete all questions regarding personal use of listed property. Also applies to standard mileage rate autos unless Form 2106 is used.	_____	_____	_____
.3) Determine that all amortizable items are separately stated and the proper Code section cited.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
406) Determine if taxpayer received depreciable business assets which have been converted to non-business personal assets. If applicable, report depreciation recapture and related investment credit recapture.	_____	_____	_____
407) Consider anti-churning rules.	_____	_____	_____
500) TAX COMPUTATIONS AND CREDITS			
501) Alternative minimum tax must be computed by making adjustments such as:			
.1) Depreciation on property placed in service, after December 31, 1986 (or July 31, 1986, if election was made), must be recomputed using the alternative depreciation system. (Rev. Proc. 87-57)	_____	_____	_____
.2) Mining, exploration research and experimental costs must be capitalized and amortized over a ten-year period.	_____	_____	_____
.3) Income from long-term contracts entered into after February 28, 1986 must be computed using the percentage-of-completion method of accounting. Note exception for "home construction contracts".	_____	_____	_____
.4) Income from post-February 28, 1986, dispositions of real or personal property held for sale in the ordinary course of business shall be determined without regard to the installment method, except in cases where an election is made to pay interest on the tax deferred by the qualified installment sale.	_____	_____	_____
.5) An AMT net operating loss (NOL) deduction is allowed in place of the regular NOL deduction. Post-1986 AMT NOL is available only to extent of 90% of pre-NOL AMTI.	_____	_____	_____
.6) Calculations requiring tax basis must use the AMT adjusted basis.	_____	_____	_____
.7) Itemized deductions adjusted for the following AMT rules:			
(a) No deduction is allowed for miscellaneous itemized deductions or most taxes.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(b) Medical expenses are subject to a 10% floor.	_____	_____	_____
(c) Qualified housing interest expense is restricted.	_____	_____	_____
(d) State tax refunds are excluded from AMTI.	_____	_____	_____
(e) Overall itemized deduction limitation amount is added back.	_____	_____	_____
.8) The following preference items must be added:			
(a) Excess depletion.	_____	_____	_____
(b) Excess intangible drilling costs. (Consider election to amortize over 60 months.)	_____	_____	_____
(c) The spread between the fair market value at the time of exercise and the purchase price of incentive stock options.	_____	_____	_____
(d) Tax-exempt interest on private activity bonds issued after August 7, 1986.	_____	_____	_____
(e) Appreciated property charitable deduction less the adjusted basis (include post-August 15, 1986 carryovers).	_____	_____	_____
(f) Accelerated depreciation on real and leased personal property placed in service before January 1, 1987.	_____	_____	_____
(g) Exemptions.	_____	_____	_____
.9) Consider special rules denying certain losses for AMT purposes:			
(a) Net passive activity losses as adjusted for tax preferences. (Form 8582)	_____	_____	_____
(b) Certain farm losses.	_____	_____	_____
(c) Insolvent taxpayers.	_____	_____	_____
.10) Consider AMT foreign tax credit in AMT computation.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
502) Consider tax credits such as:			
.1) Child and dependent care credit.	_____	_____	_____
.2) Credit for the elderly or disabled.	_____	_____	_____
.3) Credit for interest paid on Mortgage Credit Certificates.	_____	_____	_____
.4) Foreign tax credit.	_____	_____	_____
.5) Credit for clinical testing expenses. (Scheduled to expire 6/30/92).	_____	_____	_____
.6) Various fuel and energy related credits.	_____	_____	_____
.7) Earned income credit:			
(a) Basic credit.	_____	_____	_____
(b) Health insurance credit.	_____	_____	_____
(c) Extra credit for child born in 1992.	_____	_____	_____
.8) General business credit.	_____	_____	_____
.9) Credit for increasing research activities.	_____	_____	_____
.10) Low income housing credit. (Scheduled to expire 6/30/92).	_____	_____	_____
.11) Disabled access credit.	_____	_____	_____
.12) Rehabilitation credit.	_____	_____	_____
.13) Targeted jobs credit.	_____	_____	_____
.14) Minimum tax credit.	_____	_____	_____
503) Determine if, based upon nature of income and deductions, sale of assets, etc., the taxpayer is subject to:			
.1) Self-employment tax.	_____	_____	_____
.2) Investment credit recapture.	_____	_____	_____
.3) Social security tax on tip income.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.4) Tax on premature distributions or overfunding of IRAs or other qualified plans.	_____	_____	_____
.5) Tax on excess distributions from qualified plans.	_____	_____	_____
.6) Tax on trust accumulation distributions.	_____	_____	_____
504) Determine if the taxpayer has paid excess FICA tax for which credit should be claimed.	_____	_____	_____
505) Determine if there was withholding on interest, dividends, sale transactions or retirement plan distributions.	_____	_____	_____
506) Confirm amounts and dates of any federal, state and local estimated tax deposits/payments for the year, prior year overpayments, and extension payments.	_____	_____	_____
507) If withholding and estimated tax payments are less than 90% of the tax liability, consider filing Form 2210. Note limitation on the use of 100% of prior year's tax safe harbor.	_____	_____	_____
508) Consider changes needed in estimated tax for the forthcoming year and set up estimated tax payments.	_____	_____	_____
600) OTHER REQUIREMENTS			
601) Compare taxable income to projections for reasonableness.	_____	_____	_____
602) If the taxpayer sold partnership interests during year, determine:			
.1) That appropriate information was given to the partnership to enable it to prepare Form 8308.	_____	_____	_____
.2) That the required statement under Reg. 1.751-1(a)(3) is attached if the partnership had § 751(a) assets.	_____	_____	_____
603) Determine if Form 8271 is required for tax shelters.	_____	_____	_____
604) Consider capitalizing carrying charges (interest, taxes, etc.) on nonproductive property.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
605) Consider the election to forego the net operating loss carryback:			
.1) If electing to forego - attach required statement.	_____	_____	_____
.2) If carrying back - prepare Form 1045 or Form 1040X.	_____	_____	_____
606) If the taxpayer is divorced or separated:			
.1) Obtain a copy of the applicable documents.	_____	_____	_____
.2) Determine the appropriate basis of any property transferred.	_____	_____	_____
.3) For post-July 18, 1984 divorces, review amount received/paid to determine non-taxable/deductible/recapture portion:			
(a) Six-year rule for pre-1987 divorces.	_____	_____	_____
(b) Three-year rule for post-1986 divorces and pre-1987 divorce decrees that have been modified to accommodate the three-year rule.	_____	_____	_____
.4) Attach written authorization, or Form 8332, for dependency exemption to non-custodial parent tax return.	_____	_____	_____
607) If dependent under age 14 has unearned income in excess of \$500:			
.1) Consider need to disclose taxable income information on dependent's returns.	_____	_____	_____
.2) If parent elects to report child's interest and dividends, prepare Form 8814.	_____	_____	_____
608) If final return of deceased taxpayer, determine if the proper allocation has been made for all items of income, deduction and credits between this return and the estate income tax return.	_____	_____	_____
609) If the taxpayer has made an "applicable asset acquisition" (transfer of assets that constitute a trade or business), determine that applicable reporting requirements regarding allocation of purchase price have been met. (Form 8594)	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
610) Consider § 6662 that provides a 20% penalty for substantial understatement of tax liability. If this penalty could result from any income, deduction, loss, or credit item, then:			
.1) Consider if substantial authority exists for the item in question. If not, consider disclosure (Form 8275 or 8275R).	_____	_____	_____
.2) Consider advising the taxpayer, in writing, of the penalty.	_____	_____	_____
611) Prepare state and local tax returns. Review each state's modification requirements. Note that some states' filing requirements are based on federal AGI. Taxpayer may be required to file even though taxpayer has negative AGI in that state.	_____	_____	_____
612) Information returns:			
.1) Determine whether the taxpayer has filed all required information returns (1098 and 1099 series) and whether the personal use portion of employer property and § 401(k) deferred compensation information has been included in employees' W-2s.	_____	_____	_____
.2) Consider magnetic media filing requirements for Forms 1099 and W-2s.	_____	_____	_____
613) Consider additional items subject to employer FICA, such as: § 401(k) deferrals, employer-provided excess group-term life insurance, all cash tips, etc.	_____	_____	_____
614) Determine if Form 8300 should be filed for certain payments received exceeding \$10,000. Note new rules issued in final regulations under § 6050.	_____	_____	_____
615) Advise any taxpayers with employee benefit plans of the return filing requirements. (Form 5500 series).	_____	_____	_____
616) Determine if Form TD 90-22.1 is needed to report foreign bank accounts.	_____	_____	_____
617) Determine if gift tax returns are required.	_____	_____	_____
618) Attach extension requests to tax return.	_____	_____	_____

INDIVIDUAL INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
619) Prepare filing instructions and transmittal letter to the taxpayer.	<hr/>	<hr/>	<hr/>
620) Note any tax planning suggestions.	<hr/>	<hr/>	<hr/>

COMMENTS OR EXPLANATIONS

ONE PAGE
FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>Done</u>	<u>N/A</u>		<u>Done</u>	<u>N/A</u>
GENERAL INFORMATION			3. Sale or other disposition of assets:		
1. Review and update taxpayer information including beneficiaries' names, addresses, social security numbers and birth dates.	<input type="checkbox"/>	<input type="checkbox"/>	Check for related parties & consequences	<input type="checkbox"/>	<input type="checkbox"/>
2. Review prior year returns, workpapers, correspondence and audit results.	<input type="checkbox"/>	<input type="checkbox"/>	Use suspended losses	<input type="checkbox"/>	<input type="checkbox"/>
3. Consider signed engagement letter.	<input type="checkbox"/>	<input type="checkbox"/>	Installment sale:		
4. Check for carryovers.	<input type="checkbox"/>	<input type="checkbox"/>	Depreciation recapture reported in year of sale	<input type="checkbox"/>	<input type="checkbox"/>
5. Verify that a copy of will or trust and Form 706 in file.	<input type="checkbox"/>	<input type="checkbox"/>	Adequate interest rate	<input type="checkbox"/>	<input type="checkbox"/>
6. Verify classification of trust (grantor, simple, complex, etc.).	<input type="checkbox"/>	<input type="checkbox"/>	Consider electing out of installment sale treatment	<input type="checkbox"/>	<input type="checkbox"/>
7. Determine situs of trust.	<input type="checkbox"/>	<input type="checkbox"/>	Report proper amount from pledging receivables	<input type="checkbox"/>	<input type="checkbox"/>
8. Determine if multistate filing required.	<input type="checkbox"/>	<input type="checkbox"/>	4. Review passive loss limitations and carryovers.	<input type="checkbox"/>	<input type="checkbox"/>
9. Determine basis for all assets received.	<input type="checkbox"/>	<input type="checkbox"/>	5. Consider passive activity elections.	<input type="checkbox"/>	<input type="checkbox"/>
10. Review IRS exam report in file.	<input type="checkbox"/>	<input type="checkbox"/>	6. Review all K-1s for proper reporting of data.	<input type="checkbox"/>	<input type="checkbox"/>
11. Determine if any foreign bank accounts.	<input type="checkbox"/>	<input type="checkbox"/>	7. Consider election for gain/loss on distributed property.	<input type="checkbox"/>	<input type="checkbox"/>
12. Determine basis adjustment due to grantor's death.	<input type="checkbox"/>	<input type="checkbox"/>	8. Compute trust accounting income.	<input type="checkbox"/>	<input type="checkbox"/>
13. If first return, allocate income and deductions between Forms 1041 and final 1040.	<input type="checkbox"/>	<input type="checkbox"/>	9. Determine if capital gains allocated to DNI.	<input type="checkbox"/>	<input type="checkbox"/>
14. If computerized return, review proforma for accuracy.	<input type="checkbox"/>	<input type="checkbox"/>	10. Determine if property sold was contributed to trust within 2 years of sale. (§ 644).	<input type="checkbox"/>	<input type="checkbox"/>
15. Determine method of accounting.	<input type="checkbox"/>	<input type="checkbox"/>	DEDUCTIONS		
16. Determine if Form 56 filed.	<input type="checkbox"/>	<input type="checkbox"/>	1. Determine proper allocations and limitations on interest expenses relating to the following expenditures: investments, consumer, trade/business, passive, tax-exempt, etc.	<input type="checkbox"/>	<input type="checkbox"/>
INCOME			2. If tax exempt income, allocate deductions if necessary.	<input type="checkbox"/>	<input type="checkbox"/>
1. Compare sources of income with prior year.	<input type="checkbox"/>	<input type="checkbox"/>	3. Consider all depreciation requirements.	<input type="checkbox"/>	<input type="checkbox"/>
2. Properly report all adjustments from changes in period or method.	<input type="checkbox"/>	<input type="checkbox"/>	4. Determine that amortizable items are written off over the correct period.	<input type="checkbox"/>	<input type="checkbox"/>
			5. Inquire about other possible deductions (charitable, taxes, business, worthless securities, casualty losses).	<input type="checkbox"/>	<input type="checkbox"/>
			6. T&E expenses - determine support is adequate.	<input type="checkbox"/>	<input type="checkbox"/>

ONE PAGE
FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

Done N/A

Done N/A

7. Limit deduction for meals and entertainment to 80%. ☐ ☐

9. Consider risk of accuracy-related penalty. ☐ ☐

8. Compute the distribution deduction, if any. ☐ ☐

10. Note any tax planning suggestions. ☐ ☐

9. Determine if there is a 65-day distribution. ☐ ☐

10. Determine if a deduction for estate tax attributable to income in respect of decedent is available. ☐ ☐

11. If current distributions are in excess of trust accounting income, determine if throwback provisions are applicable. ☐ ☐

12. If any related party transactions, determine limitation on losses. ☐ ☐

TAX COMPUTATION AND CREDITS

1. Compute tax including AMT. ☐ ☐

2. Compute AMT-DNI. ☐ ☐

3. Compute ITC recapture. ☐ ☐

4. Check for prior year overpayments, estimates and extension payments. ☐ ☐

5. Prepare estimated tax vouchers. ☐ ☐

OTHER REQUIREMENTS

1. Prepare Schedules K-1. ☐ ☐

2. If trust tax payments allocated to beneficiaries, file Form 1041-T within 65 days of year end. ☐ ☐

3. Prepare Schedule J if trust made an accumulation distribution. ☐ ☐

4. Consider election to forego NOL carryback. ☐ ☐

5. Prepare and update list of carryovers. ☐ ☐

6. Prepare state returns. ☐ ☐

7. Determine if any excess deductions or losses are available to beneficiaries in final year. ☐ ☐

8. Consider if generation skipping distribution was made. ☐ ☐

SHORT VERSION
FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
100) GENERAL INFORMATION			
101) Review and update basic taxpayer information (address, beneficiaries, social security numbers, etc.)	_____	_____	_____
102) Review prior return, workpapers, etc.	_____	_____	_____
103) Consider a signed engagement letter.	_____	_____	_____
104) Obtain information concerning any IRS or state tax audit, and/or any correspondence.	_____	_____	_____
105) Check for carryovers and suspended losses.	_____	_____	_____
106) Determine that a copy of will or trust and Form 706 is in the file.	_____	_____	_____
107) Determine proper classification of trust (grantor, simple, complex, etc.)	_____	_____	_____
108) Determine proper basis for property passing from a decedent.	_____	_____	_____
109) Determine situs of trust.	_____	_____	_____
110) If computer generated return, review pro forma for accuracy.	_____	_____	_____
111) Determine if multistate filing is required.	_____	_____	_____
112) Determine method of accounting.	_____	_____	_____
113) Determine if there have been any changes in income interests or rights over corpus of beneficiaries during the year.	_____	_____	_____
114) Determine if gift tax returns required by grantor.	_____	_____	_____

SHORT VERSION
FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
115) If first return of estate, determine proper allocation between 1041 and final 1040.	_____	_____	_____
116) If a trust, determine accounting income.	_____	_____	_____
200) INCOME			
201) Determine if accounting methods used are comparable to the preceding year unless changes are approved or required.	_____	_____	_____
202) Determine that all current adjustments from changes in accounting method and period are reported.	_____	_____	_____
203) Sale or other disposition of property:			
.1) Check for recapture items.	_____	_____	_____
.2) Review interest rates on debt instruments.	_____	_____	_____
.3) Consider installment reporting for sales that qualify.	_____	_____	_____
.4) Report proper amount from pledging installment receivables.	_____	_____	_____
204) Determine proper reporting of all annuities, qualified retirement plans, IRAs, etc.	_____	_____	_____
205) Consider passive activity elections and loss limitations.	_____	_____	_____
206) Review K-1s to determine that all are present and that all items have been properly reported.	_____	_____	_____
207) Inquire about other possible sources of income (such as salaries, dividends, interest, rents, taxable fringe benefits, etc.).	_____	_____	_____
208) Determine that gain is reported if appreciated property is used to fund pecuniary bequest.	_____	_____	_____
209) Consider election to recognize gain or loss when property is distributed.	_____	_____	_____

SHORT VERSION
FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
210) Determine if any basis limitation rules apply, e.g. §§ 465, 704(d), 1366(d).	<hr/>	<hr/>	<hr/>
211) Determine holding period and federal and state tax basis of property sold.	<hr/>	<hr/>	<hr/>
300) DEDUCTIONS			
301) Determine the proper allocation to and limitations on deductions for interest and other expenses relating to:			
.1) Investment expenditures.	<hr/>	<hr/>	<hr/>
.2) Personal (consumer) expenditures.	<hr/>	<hr/>	<hr/>
.3) Qualified residence interest.	<hr/>	<hr/>	<hr/>
.4) Trade or business expenditures.	<hr/>	<hr/>	<hr/>
.5) Passive activity expenditures.	<hr/>	<hr/>	<hr/>
.6) Tax-exempt investments.	<hr/>	<hr/>	<hr/>
.7) Capitalization of interest during construction.	<hr/>	<hr/>	<hr/>
.8) Meals and entertainment expenses (80%).	<hr/>	<hr/>	<hr/>
302) Consider all depreciation requirements and options including:			
.1) § 179 is not available.	<hr/>	<hr/>	<hr/>
.2) Requirements relating to listed property.	<hr/>	<hr/>	<hr/>
.3) Determine if leases are operating leases or capital leases.	<hr/>	<hr/>	<hr/>
303) Determine that all amortizable items are written off over the correct period.	<hr/>	<hr/>	<hr/>
304) Inquire about other possible deductions (such as charitable contributions, taxes, employee business expense, worthless securities, casualty losses, vacation homes, etc.).	<hr/>	<hr/>	<hr/>

SHORT VERSION
FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
305) Determine amount, if any, of distribution deduction.	_____	_____	_____
306) Determine amount, if any, of deduction for estate tax attributable to income in respect of decedent.	_____	_____	_____
307) Attach proper election for items deducted on Form 1041 that could have been claimed on Form 706.	_____	_____	_____
400) TAX COMPUTATION AND CREDITS			
401) Compute tax, including alternative minimum tax.	_____	_____	_____
402) Compute all applicable credits, including carryovers.	_____	_____	_____
403) Confirm prior year overpayment applied, estimate payments, and extension payments, if any.	_____	_____	_____
404) Compute investment credit recapture.	_____	_____	_____
405) Compute penalty for underpayment.	_____	_____	_____
406) Prepare estimated tax vouchers for next year.	_____	_____	_____
500) OTHER REQUIREMENTS			
501) Prepare Schedule K-1 if applicable.	_____	_____	_____
502) Determine if estimated tax payments should be allocated to beneficiaries. If applicable, file Form 1041-T within 65 days of year end.	_____	_____	_____
503) Prepare Schedule J if trust made accumulation distribution.	_____	_____	_____
504) Determine if Form 8271 is required for tax shelters.	_____	_____	_____
505) Consider capitalization of carrying charges on non-productive property.	_____	_____	_____
506) Consider election to forego net operating loss carryback.	_____	_____	_____

SHORT VERSION
FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	DONE	N/A	COMMENTS OR EXPLANATION
507) Inquire if the taxpayer has required records for travel, entertainment and listed property deductions.			
508) Consider risk of accuracy-related penalty.			
509) Prepare state and local tax returns.			
510) Determine if any excess deductions or losses available to beneficiaries in final year.			
511) Determine if there has been a generation skipping distribution. and if applicable, prepare Form 706GS(D), 706GS(D-1) or 706GS(T).			
512) Compare taxable income to any projections for reasonableness.			
513) Note any tax planning suggestions.			

COMMENTS OR EXPLANATIONS

[illegible]

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
100) GENERAL INFORMATION			
101) Review the trust or estate's name, address, fiscal year, type of entity, identification number and date entity was created. (Trust returns generally must be calendar year.)	_____	_____	_____
102) Review prior year returns, memos, workpapers and correspondence files.	_____	_____	_____
103) Consider signed engagement letter.	_____	_____	_____
104) If the trust or estate has been examined by the Internal Revenue Service or state:			
.1) Obtain copies of the revenue agent's reports.	_____	_____	_____
.2) Determine that the agent's adjustments have been entered in the trust's records.	_____	_____	_____
.3) If any of the agent's adjustments affect federal or state income tax returns of years other than those audited, consider filing amended returns.	_____	_____	_____
.4) Determine whether amended state returns should be or are required to be filed to reflect federal audit adjustments.	_____	_____	_____
105) Verify that a copy of the trust agreement and/or Form 706 with copy of will is in the permanent file and document the various provisions which determine the tax treatment of income, corpus, and distributions. Check for amendments, revisions, etc., since last review and for effect of litigation.	_____	_____	_____
106) Determine that the basis used for property passing from a decedent is based on fair market value at date of death or other applicable estate tax value.	_____	_____	_____
107) If computer generated return, review proforma for accuracy.	_____	_____	_____
108) Review and update schedules for carryover items such as:			

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.1) Update the trust or estate carryforward data schedule for any non-taxable dividends or dividends reinvested.	<hr/>	<hr/>	<hr/>
.2) Net operating loss.	<hr/>	<hr/>	<hr/>
.3) Capital loss.	<hr/>	<hr/>	<hr/>
.4) Investment credit.	<hr/>	<hr/>	<hr/>
.5) Alternative Minimum Tax credit.	<hr/>	<hr/>	<hr/>
.6) Other credits.	<hr/>	<hr/>	<hr/>
.7) Installment sales.	<hr/>	<hr/>	<hr/>
.8) Change of accounting adjustments (§ 481).	<hr/>	<hr/>	<hr/>
.9) Passive activity losses and credits (regular and AMT).	<hr/>	<hr/>	<hr/>
.10) Investment interest.	<hr/>	<hr/>	<hr/>
109) Inquire if the trust or estate has made or received any below-market loans. If so, determine imputed interest consequences.	<hr/>	<hr/>	<hr/>
110) Determine if accounting methods are comparable to the preceding year unless changes are approved or required.	<hr/>	<hr/>	<hr/>
111) If accrual method of accounting, note exception from economic performance for recurring items.	<hr/>	<hr/>	<hr/>
112) Determine that information regarding beneficiaries' names, social security numbers, addresses, dates of birth, etc., is complete.	<hr/>	<hr/>	<hr/>
113) Determine if there has been any change in income interests of beneficiaries during the year and document.	<hr/>	<hr/>	<hr/>
114) Determine if there have been any changes in rights over corpus during the year.	<hr/>	<hr/>	<hr/>
115) If a trust, determine accounting income as provided under the governing document and applicable state law.	<hr/>	<hr/>	<hr/>

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
116) Ascertain whether this trust is taxed as a corporation. If so, go to the 1120 checklist.	_____	_____	_____
117) Grantor Trusts: consider filing requirements for both state and federal returns. Under certain circumstances Form 1041 may not be required.	_____	_____	_____
118) Review powers of spouse or others which may cause grantor trust application.	_____	_____	_____
119) Determine situs of trust for state tax filing purposes.	_____	_____	_____
120) If this is a Clifford Trust, insert the reversion date. _____	_____	_____	_____
121) Determine holding period and adjusted basis of assets acquired via gift.	_____	_____	_____
122) Review capital assets for changes (reorganizations, stock dividends, etc.)	_____	_____	_____
123) Determine if multistate filing is required.	_____	_____	_____
124) If first return of an estate:			
.1) Consider fiscal year filing.	_____	_____	_____
.2) Determine if the proper allocation has been made for all items of income, deductions and credits between decedent's final return and this return.	_____	_____	_____
200) INCOME			
201) Compare sources of dividends and interest income with prior year items.	_____	_____	_____
202) Review assets to determine if any exist that may produce non-cash income, e.g. OID, market discount, etc.	_____	_____	_____
203) Review dividends in order to segregate taxable, non-taxable and capital gain portions.	_____	_____	_____
204) Determine if the trust or estate had investment income from foreign companies and if tax was withheld at the source.	_____	_____	_____

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
205) Disclose exempt interest on state and municipal bonds on the federal return. Determine deductible portion of administrative expense.	_____	_____	_____
206) Exclude interest on United States securities from the state returns. Consider whether municipal bond interest excluded on federal return should be added back on state return.	_____	_____	_____
207) Review reporting of any income tax refunds based on the tax benefit rule.	_____	_____	_____
208) Determine that installment sales are reported properly.	_____	_____	_____
.1) Determine that the full amount of depreciation recapture is reported in the year of sale whether or not payment was received in the year.	_____	_____	_____
.2) Review for adequate stated interest on debt instruments received in connection with the sale. Determine whether original issue discount or unstated interest rules require restatement of note interest and principal.	_____	_____	_____
.3) Determine if the taxpayer is a "dealer" with respect to the related property. If so:			
(a) Determine that the installment method is <u>not</u> used to report post December 31, 1987 sales of dealer property. (Exceptions - farm property, certain timeshare rights and residential lots if proper election is made.)	_____	_____	_____
(b) Determine that the interest owed as a result of an election (a) above is properly reported.	_____	_____	_____
.4) Consider special rules for installment reporting by certain non-dealers of real (post 1986 sales) or personal property (post 1988 sales) where the sales price exceeds \$150,000. (Sec. 453A) (Does not apply to certain farm property.)	_____	_____	_____
(a) Compute the interest charge imposed on tax deferred outstanding installment obligations if the face amount of these obligations that arose during, and are still outstanding at the close of, the tax year, exceeds \$5,000,000.	_____	_____	_____

FIDUCIARY INCOME TAX RETURN CHECKLIST
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	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(b) Determine that the proper amount is treated as a collection on any pledged installment obligation.	_____	_____	_____
.5) Consider electing out of installment method.	_____	_____	_____
209) If another property was sold, exchanged, or involuntarily converted during the year, consider the provisions relating to:			
.1) Non-recognition of gain or loss. (Form 8824)	_____	_____	_____
.2) Recapture of depreciation and/or investment tax credit.	_____	_____	_____
.3) Like-kind exchanges with related parties. Determine if there has been a disposition within 2 years of transfer. (§ 644)	_____	_____	_____
210) Determine the holding period and federal and state tax basis of property sold.	_____	_____	_____
211) Review application of the wash sale rules.	_____	_____	_____
212) Determine if any sales of securities settled after year end, with a trade date within current year, are reported this year. Note special rules for short sales in § 1233.	_____	_____	_____
213) If there are any § 1231 gains, determine the amounts, if any, subject to ordinary income treatment as a result of prior years' § 1231 losses.	_____	_____	_____
214) Compare sources of K-1s with prior year. Review current K-1s to determine that all items have been properly included.	_____	_____	_____
215) Determine if § 465 at-risk, § 704(d) and/or § 1366(d) basis rules apply.	_____	_____	_____
216) If a distribution or technical termination has occurred in a partnership consider making a § 732(d) election.	_____	_____	_____
217) For passive activities (also see Passive Activity Checklist), consider:			
.1) Losses from an activity may be limited if any of the following apply:			

FIDUCIARY INCOME TAX RETURN CHECKLIST
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	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(a) The trust or estate is involved in a trade or business in which it does not materially participate.	_____	_____	_____
(b) The entity has any rental activity other than hotels, car rentals and similar activities in which substantial services are provided.	_____	_____	_____
(c) The entity is a limited partner or qualified S corporation shareholder.	_____	_____	_____
(d) The entity distributes an interest in a passive activity to a beneficiary.	_____	_____	_____
.2) If an estate, consider the \$25,000 special allowance exception for rental real estate.	_____	_____	_____
.3) Determine if any pass-through entity through which the trust has an interest has made an election to separate activities.	_____	_____	_____
4.) Consider passive activity elections.	_____	_____	_____
218) If the taxpayer recovered amounts previously deducted, determine if the full benefit was received from prior years' deductions.	_____	_____	_____
219) Determine if the taxpayer has an S corporation or partnership loss carryforward not previously utilized due to insufficient basis and determine if additional basis has been generated in current year to deduct all or a portion of the unused losses.	_____	_____	_____
220) If the taxpayer is a qualified Subchapter S trust (QSST) shareholder that made loans to the corporation to utilize losses, check for gain on repayment.	_____	_____	_____
221) Determine that gain is recognized and that the new basis is properly reflected if appreciated property is used to fund a pecuniary bequest.	_____	_____	_____
222) Consider election to recognize gain or loss if property is distributed other than the funding of a pecuniary bequest, (§ 643(e))	_____	_____	_____

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
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223) For leased vehicles and property, determine the business and personal usages and calculate the appropriate income to be reported by referring to the IRS tables.

	_____	_____	_____
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300) DEDUCTIONS

301) For all businesses of the taxpayer:

.1) Review the taxpayer's vacation pay policy to determine if a deduction is allowable on the accrual basis (vested at year end and paid within two and one-half months after year end).

	_____	_____	_____
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.2) Consider applicability of uniform capitalization rules to resellers with annual gross receipts in excess of \$10,000,000 and all producers of property.

	_____	_____	_____
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(a) Determine that all costs are included.

	_____	_____	_____
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(b) Consider interest capitalization rules for debt incurred to produce property.

	_____	_____	_____
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(c) If the beginning inventory is revalued:

(i) Ascertain the amount of adjustment required for the beginning inventory due to the change in method of accounting (§ 481).

	_____	_____	_____
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(ii) Ascertain § 481 forward spread period (not to exceed four years).

	_____	_____	_____
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(iii) Determine that Form 3115 and the 263A checklist (Notice 88-92) are attached to the tax return in the year of change.

	_____	_____	_____
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(iv) consider electing "simplified" methods.

	_____	_____	_____
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(d) For farmers and ranchers consider:

(i) One-time election out of uniform capitalization rules if election was not required in a prior year.

	_____	_____	_____
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FIDUCIARY INCOME TAX RETURN CHECKLIST

1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(ii) The exemption for expenses incurred in the production of animals.	_____	_____	_____
(e) Review the definition of "producer." (Reg. 1.263A-1T(a)(5)(ii))	_____	_____	_____
.3) For long-term contracts entered into after February 28, 1986:			
(a) Determine that taxpayers reporting under the completed-contract method recognize the appropriate amount of related income on the percentage-of-completion method. Note: The completed contract method is repealed for contracts entered into after 7-10-89.	_____	_____	_____
(b) Consider modifications to the percentage-of-completion method:			
(i) Completion percentage based on costs, not work performed.	_____	_____	_____
(ii) The expanded requirement to capitalize costs similar to uniform capitalization rules.	_____	_____	_____
(iii) The requirement to compare prior year estimate inaccuracies with actual costs at completion of the contract and pay/claim interest on related change to prior year taxes ("Look-Back Rule"). (Form 8697)	_____	_____	_____
(iv) Contract aggregation rules.	_____	_____	_____
(v) Option to "automatically" change to percentage of completion.	_____	_____	_____
(vi) Related party rules.	_____	_____	_____
(c) Consider 10% de minimis rule.	_____	_____	_____
(d) Consider simplified method.	_____	_____	_____
302) Complete Schedule C or F (Form 1040) for schedule of cost of operations and verify that beginning and ending inventory agree with books.	_____	_____	_____

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
303) Inquire whether the trust or estate can substantiate by adequate records, as required under § 274(d), expenses claimed for entertainment, entertainment facilities, gifts and travel. Limit meals and entertainment to 80%. (Consider exceptions.) Consider optional per diem method. (Rev. Proc. 90-15)	<hr/>	<hr/>	<hr/>
304) Prepare a schedule of other deductions. Apply the 2% limitation to expenses other than direct trust or estate expenses. Determine which administrative expenses are not subject to the 2% rule. Determine the deductible portion of administrative expenses based on the ratio of taxable to entire income (a simultaneous equation).	<hr/>	<hr/>	<hr/>
305) Determine if the trust or estate is entitled to an estate tax deduction for income in respect of a decedent and allocate between the beneficiaries and estate or trust. (§ 691(c))	<hr/>	<hr/>	<hr/>
306) Allocation of interest expense:			
.1) Determine that the proper allocations have been made dividing interest expense among type (investment, passive, consumer, etc.).	<hr/>	<hr/>	<hr/>
.2) For interest on debts allocated to more than one expenditure, determine that the proper ordering of loan repayments has been considered.	<hr/>	<hr/>	<hr/>
.3) Determine that the debt has been properly reallocated to the expenditure when either:			
(a) The subject of the first expenditure has been disposed of and the proceeds are used for another expenditure; or	<hr/>	<hr/>	<hr/>
(b) The character of the expenditure has changed.	<hr/>	<hr/>	<hr/>
307) Investment interest:			
.1) Limit the trust or estate's deduction for investment interest to net investment income.	<hr/>	<hr/>	<hr/>
.2) In computing net investment income, deduct investment expenses after the application of the 2% AGI floor.	<hr/>	<hr/>	<hr/>

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
308) Determine that personal interest was not deducted.	_____	_____	_____
309) Determine if interest deduction limitations apply to interest incurred to purchase or carry market discount bonds or short-term debt obligations.	_____	_____	_____
310) Other interest considerations:			
.1) Treat amortizable bond premium (for bonds acquired after 1987) as an offset to interest income.	_____	_____	_____
.2) Consider the capitalization of interest rules when the taxpayer is constructing or producing certain real or tangible personal property.	_____	_____	_____
.3) Eliminate interest expense on debts with respect to life insurance policies (purchased after June 20, 1986) on beneficial owners and key employees to the extent that the total of such loans exceeds \$50,000.	_____	_____	_____
.4) Consider election to amortize bond premium on taxable bonds.	_____	_____	_____
311) Consider disallowance of double deductions, i.e., administrative expenses and losses during administration, claimed on Form 706 (Attach election if claimed on Form 1041).	_____	_____	_____
312) Determine that deductions for taxes, interest, business expenses and other items accrued at the date of death are claimed on both Forms 706 and 1041.	_____	_____	_____
313) Determine that indirect expenses are allocated between taxable and tax exempt income.	_____	_____	_____
314) Consider unused losses and deductions to be transferred to beneficiaries in final year.	_____	_____	_____
315) Determine that unused passive activity losses pertaining to an interest in an activity being distributed to a beneficiary are added to the basis of the property distributed.	_____	_____	_____
316) Consider distributions deduction election if there is a qualifying 65-day distribution.	_____	_____	_____
317) Determine amount, if any, of the distribution deduction.	_____	_____	_____

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
318) Compute distributable net income (DNI):			
.1) Determine that direct and indirect expenses have been properly allocated to the various classes of income (including tax exempt and passive activities).	_____	_____	_____
.2) Ascertain if capital gains are required to be allocated to DNI.	_____	_____	_____
319) Determine if charitable contributions are accounted for in accordance with trust instrument.	_____	_____	_____
.1) Ascertain that charitable contributions have been properly allocated to tax exempt income.	_____	_____	_____
.2) Complete Forms 1041-A and 5227 if necessary.	_____	_____	_____
320) Inquire whether the trust or estate has any worthless securities or bad debts to be reflected in the current year return.	_____	_____	_____
321) Consider limitations on deducting expenses related to federally tax exempt income. Note that these expenses may be deductible at the state level if income is state taxable.	_____	_____	_____
322) For real property taxes, determine if a § 461(c) election to accrue ratably is more beneficial than adopting the recurring item exception.	_____	_____	_____
400) DEPRECIATION			
401) Determine whether the trustee is required to maintain a reserve for depreciation.	_____	_____	_____
402) Consider various depreciation methods.			
.1) Determine that no § 179 election to expense certain depreciable assets has been made since this election is not allowed to estates and trusts.	_____	_____	_____
.2) For acquisitions after December 31, 1986, determine the MACRS life for each asset placed in service and appropriate depreciation method. (Rev. Procs. 87-56 and 88-22)	_____	_____	_____

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.3) Determine the applicable convention (e.g. half-year, mid-quarter).	_____	_____	_____
.4) For leasehold improvements made after December 31, 1986, determine that the cost is being recovered over the applicable recovery period, regardless of the lease period.	_____	_____	_____
.5) Consider electing the alternative depreciation system (150% or SL) for property placed in service during the year.	_____	_____	_____
.6) If a short year, determine that Rev. Proc. 89-15 is followed.	_____	_____	_____
.7) Consider depreciation limitations for IDB financed property, and certified historic structures for which a tax credit was taken.	_____	_____	_____
.8) For farming, determine that MACRS is applied using 150% DB. Note that ADS-SL is required if elected out of § 263A.	_____	_____	_____
.9) If there has been a purchase price adjustment see Prop. Reg. § 1.168-2(d)(3).	_____	_____	_____
.10) If property is leased to a tax exempt entity, consider the possible need to use alternative depreciation system (ADS).	_____	_____	_____
403) Consider anti-churning rules.	_____	_____	_____
404) Make adjustments for depreciable assets which are demolished, obsolete, abandoned and/or out of service. Consider investment credit recapture.	_____	_____	_____
405) For listed property (e.g., cellular phones, autos, computers, airplanes, boats):			
.1) For autos, consider the maximum allowable under the luxury auto rules.	_____	_____	_____
.2) For autos, determine limitation if the business usage is 50% or less.	_____	_____	_____
.3) Determine limitations for all other mixed-use property, if the business usage is 50% or less.	_____	_____	_____

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.4) Inquire if the trust or estate has kept the required records indicating the business and personal use of property.	_____	_____	_____
.5) Determine recapture if the business usage is 50% or less.	_____	_____	_____
406) Determine if property/equipment leases are operating leases or capital leases.	_____	_____	_____
407) If applicable, complete Schedule K-1 lines for depreciation information for each beneficiary. Determine that there has been a proper allocation between the trust and beneficiaries.	_____	_____	_____
408) Form 4562 (if required):			
.1) Reconcile depreciation expense to supporting schedules.	_____	_____	_____
.2) Complete all questions regarding personal use of listed property. Also applies to standard mileage rate autos.	_____	_____	_____
.3) Determine that all amortizable items are separately stated and the proper Code section cited.	_____	_____	_____
 500) TAX COMPUTATION AND CREDITS			
501) Alternative minimum tax must be computed by making adjustments such as:			
.1) Depreciation on property placed in service after 12/31/86 (or July 31, 1986 if election was made) must be recomputed using the alternative system.	_____	_____	_____
.2) Mining, exploration research & experimental costs must be capitalized and amortized over a 10-year period.	_____	_____	_____
.3) Income from long-term contracts entered into after February 28, 1986 must be computed using the percentage-of-completion method of accounting. Note - exception for "home construction contracts."	_____	_____	_____

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.4) Income from post-February 28, 1986 dispositions of real or personal property held for sale in the ordinary course of business shall be determined without regard to the installment method, except in cases where an election is made to pay interest on the tax deferred by the qualified installment sale.	_____	_____	_____
.5) An AMT net operating loss (NOL) deduction is allowed in place of the regular NOL deduction. Post-1986 AMT NOL is available only to extent of 90% of pre-NOL AMTI.	_____	_____	_____
.6) Calculations requiring tax basis must use the AMT adjusted basis.	_____	_____	_____
.7) Itemized deductions adjusted for the following AMT rules:			
(a) No deduction is allowed for miscellaneous itemized deductions or most taxes.	_____	_____	_____
(b) State tax refunds are excluded from AMTI.	_____	_____	_____
(c) Qualified housing interest is restricted.	_____	_____	_____
.8) The following preference items must be added:			
(a) Excess depletion.	_____	_____	_____
(b) Excess intangible drilling costs (Note 60 mo. election).	_____	_____	_____
(c) Tax-exempt interest on private activity bonds issued after August 7, 1986.	_____	_____	_____
(d) Accelerated depreciation on real and leased personal property placed in service before January 1, 1987.	_____	_____	_____
(e) Appreciated property charitable deduction less the adjusted basis (include post-August 15, 1986 carryovers).	_____	_____	_____
.9) Consider special rules denying certain losses for AMT purposes:			

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(a) Net passive activity losses as adjusted for tax preferences. (Form 8582)	_____	_____	_____
(b) Certain farm losses.	_____	_____	_____
(c) Insolvent trusts.	_____	_____	_____
.10) Consider foreign tax credits only in AMT computation.	_____	_____	_____
.11) Compute Distributable Alternative Minimum Taxable Income.	_____	_____	_____
502) Consider tax credits such as:			
.1) Business energy credits.	_____	_____	_____
.2) Foreign tax credit.	_____	_____	_____
.3) Investment tax credit (rehabilitation, transition and carryovers).	_____	_____	_____
.4) Credit for federal tax on gasoline, special fuels and lubricating oil.	_____	_____	_____
.5) Jobs credit.	_____	_____	_____
.6) Low income housing credit.	_____	_____	_____
503) Determine if the trust or estate is subject to:			
.1) Investment credit recapture.	_____	_____	_____
.2) § 644 tax upon sale of appreciated property within 2 years after transfer to trust.	_____	_____	_____
504) Allocate each item to the beneficiaries' K-1s in accordance with provisions of the trust agreement or will.	_____	_____	_____
505) Determine if separate share rule applies to trust. (§ 663(c))	_____	_____	_____
506) Reconcile accounting income per books with distributable net income.	_____	_____	_____

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
507) Confirm the amounts and dates of any federal, state and local estimated tax deposits/payments for the year, prior year overpayments applied, and extension payments.	_____	_____	_____
508) If withholding and estimated tax payments are less than 90% of the tax liability, file Form 2210, if applicable.	_____	_____	_____
509) Consider changes needed in estimated tax for the forthcoming year and set up estimated tax payments. (Estates are exempted from estimated payment requirement for first two years.)	_____	_____	_____
600) OTHER REQUIREMENTS			
601) If the trust or estate sold partnership interests during the year, determine that the appropriate information was given to the partnership to enable it to prepare Form 8308.	_____	_____	_____
602) Determine if Form 8271 is required for tax shelters.	_____	_____	_____
603) Consider capitalizing carrying charges (interest, taxes, etc.) on non-productive property.	_____	_____	_____
604) Consider the election to forego the net operating loss carryback:			
.1) If electing to forego - attach required statement.	_____	_____	_____
.2) If carrying back - prepare amended 1041.	_____	_____	_____
605) Determine that proper reporting has been provided for all items requested on Schedule K-1 that affect beneficiary's tax liability.	_____	_____	_____
606) If this is a final return for the trust or estate ascertain the deductions to be carried to the returns of the beneficiaries and prepare a schedule of assets, including adjusted basis, distributed to each beneficiary.	_____	_____	_____
607) Determine if trust payments of estimated tax should be allocated to beneficiaries and file return in appropriate time period; Form 1041-T must be filed within 65 days of the taxable year end.	_____	_____	_____

FIDUCIARY INCOME TAX RETURN CHECKLIST
1992 - FORM 1041

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
608) Prepare Schedule J if trust made an accumulation distribution. Determine if any exceptions to the throwback rule exist.	_____	_____	_____
609) Consider § 6662 that provides a 20% penalty for understatement of tax liability. If this penalty could result from any income, deduction, loss or credit item, then:			
.1) Consider if substantial authority exists for the item in question. If not, consider disclosure (Form 8275 or 8275R).	_____	_____	_____
.2) Consider advising the taxpayer, in writing, of the penalty.	_____	_____	_____
610) Prepare state and local tax returns. Review each state's modification requirements (including ability to deduct expenses allocated to federally tax-exempt income).	_____	_____	_____
611) Attach extension requests to tax returns.	_____	_____	_____
612) Prepare filing instructions and transmittal letter to the trustee or executor.	_____	_____	_____
613) If the taxpayer has made an "applicable asset acquisition" (transfer of assets that constitute a trade or business), determine that reporting requirements regarding allocation of purchase price have been met. (Form 8594)	_____	_____	_____
614) Compare taxable income to any projections for reasonableness.	_____	_____	_____
615) If there is more than one trustee or executor, attach statement required pursuant to § 6012(b)(5). ("Sufficient knowledge")	_____	_____	_____
616) Determine whether related party transactions are reported on all appropriate returns.	_____	_____	_____
617) Information returns:			
.1) Consider magnetic media filing requirements for 1099s and W-2s.	_____	_____	_____
.2) Determine whether the trust has filed all the information returns (1098 and 1099 series) and whether it has included the personal use portion of employer property and 401(k) deferred compensation information in its employees' W-2s.	_____	_____	_____

FIDUCIARY INCOME TAX RETURN CHECKLIST

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<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
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- .3) Consider additional items subject to employer FICA, such as 401(k) deferrals, employer-provided excess group-term insurance, all cash tips, etc.**
- 618) Determine if there has been a taxable distribution for generation skipping tax purposes. Consider preparation of Forms 706GS(D-1), 706GS(T) and 706GS(D).**
- 619) Note any tax planning suggestions.**

COMMENTS OR EXPLANATIONS

[illegible]

ONE PAGE
PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>Done</u>	<u>N/A</u>		<u>Done</u>	<u>N/A</u>
GENERAL INFORMATION					
1. Has a review of partners names addresses, FYE, business code, FEIN, date business started, prior year returns and files been done?	<input type="checkbox"/>	<input type="checkbox"/>	2. Include only trade or business income on page 1.	<input type="checkbox"/>	<input type="checkbox"/>
2. Consider signed engagement letter.	<input type="checkbox"/>	<input type="checkbox"/>	3. Were all gains, losses and recaptures calculated on any dispositions of fixed assets?	<input type="checkbox"/>	<input type="checkbox"/>
3. Has the IRS or state audited the partnership? If so, obtain a copy of the report and assess its impact.	<input type="checkbox"/>	<input type="checkbox"/>	4. Consider the following:		
4. Determine if the partnership agreement complies with the 704(b) regulations.	<input type="checkbox"/>	<input type="checkbox"/>	Wash sales	<input type="checkbox"/>	<input type="checkbox"/>
5. Determine if the partnership is a limited partnership.	<input type="checkbox"/>	<input type="checkbox"/>	Ordinary income on market discount bonds	<input type="checkbox"/>	<input type="checkbox"/>
6. If computerized return, review pro forma for accuracy.	<input type="checkbox"/>	<input type="checkbox"/>	Sales or exchanges with a partner	<input type="checkbox"/>	<input type="checkbox"/>
7. Did the partnership make or receive below-market-rate loans? If so, determine the imputed interest consequences.	<input type="checkbox"/>	<input type="checkbox"/>	Timing differences	<input type="checkbox"/>	<input type="checkbox"/>
8. Reconcile income and expenses per books with return.	<input type="checkbox"/>	<input type="checkbox"/>	Installment sales	<input type="checkbox"/>	<input type="checkbox"/>
9. Determine if there were any partnership ownership changes.	<input type="checkbox"/>	<input type="checkbox"/>	DEDUCTIONS		
Consider § 754 election.	<input type="checkbox"/>	<input type="checkbox"/>	1. Have the uniform capitalization rules been addressed?	<input type="checkbox"/>	<input type="checkbox"/>
Prepare Form 8308, if required.	<input type="checkbox"/>	<input type="checkbox"/>	2. Determine if there were any guaranteed payments to partners.	<input type="checkbox"/>	<input type="checkbox"/>
10. Tax shelter registration number on each K-1, if required.	<input type="checkbox"/>	<input type="checkbox"/>	3. Determine whether the partnership can substantiate its § 274 expenses.	<input type="checkbox"/>	<input type="checkbox"/>
11. Determine if the partnership is on its "required" year end.	<input type="checkbox"/>	<input type="checkbox"/>	4. Limit meals and entertainment to 80%.	<input type="checkbox"/>	<input type="checkbox"/>
12. Determine if the partnership restructured any debt.	<input type="checkbox"/>	<input type="checkbox"/>	5. Has the interest expense been allocated among expenditures and/or distributions?	<input type="checkbox"/>	<input type="checkbox"/>
13. Provide UBTI data to tax exempt partners.	<input type="checkbox"/>	<input type="checkbox"/>	6. Determine if there were any interest deduction limits due to market discount bonds.	<input type="checkbox"/>	<input type="checkbox"/>
INCOME			7. Determine whether the retirement plan contributions were made timely and within allowable limits.	<input type="checkbox"/>	<input type="checkbox"/>
1. Compare portfolio income with prior year.	<input type="checkbox"/>	<input type="checkbox"/>	8. Determine if Form 8283 is required for non-cash charitable contributions.	<input type="checkbox"/>	<input type="checkbox"/>
			9. Consider the following:		
			Bad debts	<input type="checkbox"/>	<input type="checkbox"/>
			Worthless securities	<input type="checkbox"/>	<input type="checkbox"/>

ONE PAGE
PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>Done</u>	<u>N/A</u>		<u>Done</u>	<u>N/A</u>
DEPRECIATION			OTHER REQUIREMENTS		
1. Consider the following:			1. Compute net earnings from self-employment.		
§ 179 election	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Requirements relating to listed property	<input type="checkbox"/>	<input type="checkbox"/>			
Operating or capital leases	<input type="checkbox"/>	<input type="checkbox"/>	2. Consider the following elections:		
2. Compute tax preference depreciation and depreciation adjustments.	<input type="checkbox"/>	<input type="checkbox"/>	Amortize organization expense	<input type="checkbox"/>	<input type="checkbox"/>
			Cash vs. accrual	<input type="checkbox"/>	<input type="checkbox"/>
			Amortize business startup costs	<input type="checkbox"/>	<input type="checkbox"/>
			Expense intangible drilling costs	<input type="checkbox"/>	<input type="checkbox"/>
			Method for valuation of inventory	<input type="checkbox"/>	<input type="checkbox"/>
			Research and experimental costs	<input type="checkbox"/>	<input type="checkbox"/>
			Exception from economic performance for recurring items	<input type="checkbox"/>	<input type="checkbox"/>
			Ratable accrual of real property taxes	<input type="checkbox"/>	<input type="checkbox"/>
PARTNER DATA - SCHEDULE K-1					
1. Complete the analysis of distributive items at the bottom of Schedule K.	<input type="checkbox"/>	<input type="checkbox"/>	3. Determine if the partnership made an "applicable asset acquisition". If so, consider requirement to file Form 8594.	<input type="checkbox"/>	<input type="checkbox"/>
2. Consider the at risk rules.	<input type="checkbox"/>	<input type="checkbox"/>	4. Determine if there was any § 751 gain (unrealized receivables) to existing partners due to admission of new partners.	<input type="checkbox"/>	<input type="checkbox"/>
3. Pre-1987 installment sale reporting as passive. (See Passive Activity Checklist).	<input type="checkbox"/>	<input type="checkbox"/>	5. Compare net income or loss to any projections for reasonableness.	<input type="checkbox"/>	<input type="checkbox"/>
4. Reconcile partners capital per Schedule L to Schedule M-2.	<input type="checkbox"/>	<input type="checkbox"/>	6. Prepare state and local tax returns.	<input type="checkbox"/>	<input type="checkbox"/>
5. Complete each partner's reconciliation of capital.	<input type="checkbox"/>	<input type="checkbox"/>	7. Attach extension requests to the tax returns.	<input type="checkbox"/>	<input type="checkbox"/>
6. Allocate partner debt pursuant to § 752.	<input type="checkbox"/>	<input type="checkbox"/>	8. Note any tax planning suggestions.	<input type="checkbox"/>	<input type="checkbox"/>
7. Allocate each item on Schedule K to the partners per the partnership agreement and § 704(b).	<input type="checkbox"/>	<input type="checkbox"/>			
8. Provide information for all items on the K-1 that affect partner's tax liability.	<input type="checkbox"/>	<input type="checkbox"/>			

SHORT VERSION
PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
100) GENERAL INFORMATION			
101) Review for correctness and changes in the partnership's and partners' names, addresses, fiscal year, business code, identification number and date business started.	_____	_____	_____
102) Consider signed engagement letter.	_____	_____	_____
103) Review prior year returns, workpapers and correspondence files.	_____	_____	_____
104) List the name, address and identifying number of the "Tax Matters" partner.	_____	_____	_____
105) If the partnership has been examined by the Internal Revenue Service or state, obtain copies of the revenue agent's reports and determine if the adjustments have been reflected in the records.	_____	_____	_____
106) Verify that a copy of the partnership agreement and all amendments are in the permanent file.	_____	_____	_____
107) If computer generated return, review pro forma for accuracy.	_____	_____	_____
108) If the partnership has a passive activity, note that the new activity definitions in the proposed regulation apply to partnerships (see Passive Activity Checklist).	_____	_____	_____
109) Determine that the partnership agreement complies with the § 704 regulations.	_____	_____	_____
110) Determine method of accounting.	_____	_____	_____
111) Determine if the partnership is a limited partnership.	_____	_____	_____
112) Inquire whether the partnership has made or received any below-market-rate term or demand loans. If so, determine imputed interest consequences.	_____	_____	_____

SHORT VERSION
PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
113) Review prior year's return Schedule M-1, for items which may have an effect upon or require similar treatment in the current year.	_____	_____	_____
114) Reconcile income and expenses per books with return.	_____	_____	_____
115) Determine if there has been any change in the partnership's ownership and/or a technical termination during the year. If there was a technical termination, consider the need for a short period return.	_____	_____	_____
116) If there were any sales or exchanges of partnership interests, or partner deaths during the current year, consider whether a § 754 election has been, or should be made.	_____	_____	_____
117) Determine whether the partnership was required to register as a tax shelter - if so, place the registration number on each K-1.	_____	_____	_____
118) Consider the consequences if the partnership has a year other than that which is "required".	_____	_____	_____
119) If the partnership is using an improper accounting method, consider filing an application for a change in accounting method.	_____	_____	_____
120) Determine if the partnership has restructured any debt.	_____	_____	_____
121) Provide UBTI information to tax exempt partners.	_____	_____	_____
200) INCOME			
201) Compare sources and amounts of portfolio income with prior year.	_____	_____	_____
202) Determine that only trade or business (e.g., not portfolio or rental) income is shown on Page 1 of Form 1065. Report rental real estate activities on Form 8825.	_____	_____	_____
203) Examine fixed assets for any dispositions, and consider gains, losses and recaptures.	_____	_____	_____

SHORT VERSION
PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
204) Consider the following:			
.1) Wash sales.	_____	_____	_____
.2) Ordinary income on market discount bonds.	_____	_____	_____
.3) Sales or exchanges between the partnership and a partner, or a related party.	_____	_____	_____
.4) Passive activities (note elections) - see separate checklist.	_____	_____	_____
.5) Timing differences.	_____	_____	_____
.6) Installment sales.	_____	_____	_____
300) DEDUCTIONS			
301) Consider the uniform capitalization rules.	_____	_____	_____
302) Determine that all guaranteed payments have been deducted in computing ordinary income, or have been capitalized as required.	_____	_____	_____
303) Inquire whether the partnership can substantiate by adequate records, as required under IRC § 274, expenses claimed for entertainment, entertainment facilities, gifts, travel, conventions.	_____	_____	_____
304) Limit meals and entertainment to 80%. Consider exceptions.	_____	_____	_____
305) Verify that the proper allocations have been made dividing interest expense among expenditures and/or distributions.	_____	_____	_____
306) Determine if interest deduction limitations apply to interest incurred to purchase or carry market discount bonds or short-term debt obligations.	_____	_____	_____
307) Determine that retirement plan contributions are made timely and within allowable limits.	_____	_____	_____
308) Determine that the partnership has not deducted interest or expenses accrued to a partner or a related party unless it is includable in the income of the partner or related party. (§ 267)	_____	_____	_____

SHORT VERSION
PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
309) Determine that expenses (including interest) allocable to portfolio income have not been deducted on Page 1.	_____	_____	_____
310) If noncash charitable contributions exceed \$500, consider whether Form 8283 is required.	_____	_____	_____
311) Determine that the following have been properly accounted for:			
.1) Bad debt-specific chargeoff	_____	_____	_____
.2) Worthless securities	_____	_____	_____
400) DEPRECIATION			
401) Consider all depreciation requirements and options including:			
.1) § 179 election.	_____	_____	_____
.2) Requirements relating to listed property.	_____	_____	_____
.3) Determine if leases are operating leases or capital leases.	_____	_____	_____
402) Consider tax preference depreciation and depreciation adjustments.	_____	_____	_____
500) PARTNER DATA - SCHEDULE K-1			
501) Complete the analysis of distributive items at the bottom of Schedule K.	_____	_____	_____
502) Consider the at-risk rules.	_____	_____	_____
503) Consider whether any income from a pre-1987 installment sale should be considered passive income.	_____	_____	_____
504) Verify that the beginning and ending total partners' capital figures on Schedule L agree with the reconciliation of partners' capital accounts - Schedule M-2.	_____	_____	_____

SHORT VERSION
PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
505) Complete each partner's reconciliation of capital. Make sure each column total agrees to the corresponding line on Schedule M-2.	_____	_____	_____
506) Determine the allocation of the partnership's recourse and nonrecourse liabilities pursuant to § 752 and enter separately on each partner's Schedule K-1.	_____	_____	_____
507) Distribute each item on Schedule K among the K-1's in accordance with provisions of the partnership agreement, or in accordance with § 704(b) if the partnership agreement is silent on § 704(b).	_____	_____	_____
508) Determine that proper reporting has been provided for all items on Schedule K-1 that affect partner's tax liability.	_____	_____	_____
600) OTHER REQUIREMENTS			
601) Compute net earnings from self-employment.	_____	_____	_____
602) Consider the following elections:			
.1) Amortization of organization expenses.	_____	_____	_____
.2) Cash vs. accrual method.	_____	_____	_____
.3) Amortization of business start-up costs.	_____	_____	_____
.4) Expense intangible drilling costs.	_____	_____	_____
.5) Method of valuation of inventory.	_____	_____	_____
.6) Research and experimental costs.	_____	_____	_____
.7) Exception from economic performance for recurring items.	_____	_____	_____
.8) Ratable accrual of real property taxes.	_____	_____	_____

SHORT VERSION
PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
603) If the partnership has made an "applicable asset acquisition" determine that the reporting requirements have been met. (Form 8594 and § 1060)	_____	_____	_____
604) If a partnership interest was sold during the year, attach Form 8308 (if required), and send a copy to the transferor and transferee.	_____	_____	_____
605) If a new partner was admitted, determine if existing partners realized ordinary income due to a reduction in their share of unrealized receivables.	_____	_____	_____
606) Compare net income or loss to any projections for reasonableness.	_____	_____	_____
607) Consider risk of accuracy related penalties.	_____	_____	_____
608) Prepare state and local tax returns.	_____	_____	_____
609) Attach extension requests to tax returns.	_____	_____	_____
610) Note any tax planning suggestions.	_____	_____	_____

COMMENTS OR EXPLANATIONS

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
100) GENERAL INFORMATION			
101) Review for correctness and changes in the partnership's and partners' names, addresses, fiscal year, business code, identification number and date business started.	_____	_____	_____
102) Review prior year returns, memos, workpapers, carryovers and correspondence files.	_____	_____	_____
103) Consider signed engagement letter.	_____	_____	_____
104) List the name, address and identifying number of the "Tax Matters" partner if the partnership is subject to the consolidated audit procedures of §§ 6221-6233.	_____	_____	_____
105) If the partnership has been examined by the Internal Revenue Service/or state:			
.1) Obtain copies of the revenue agent's reports.	_____	_____	_____
.2) Determine if the agent's adjustments have been entered in the partnership's records.	_____	_____	_____
.3) If any of the agent's adjustments affect income tax returns of years other than those audited, consider filing amended returns.	_____	_____	_____
.4) Determine whether amended state tax returns should be or are required to be filed to reflect federal audit adjustments.	_____	_____	_____
.5) Determine whether the Tax Matters Partner has informed the partners of any examination by the IRS or state agency.	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
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	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
106) Verify that a copy of the partnership agreement and all amendments are in the permanent file, or document in the permanent file why this is thought to be a partnership for federal income tax purposes.	_____	_____	_____
107) Review and update, schedules for carryover items such as:			
.1) Installment sales.	_____	_____	_____
.2) Changes in accounting methods requiring § 481 adjustments.	_____	_____	_____
.3) Suspended losses due to at-risk limitations.	_____	_____	_____
.4) Compare losses to partnership basis limitations to determine deductibility of losses. Update basis schedules accordingly.	_____	_____	_____
108) If computer generated return, review pro forma for accuracy.	_____	_____	_____
109) Determine if there were any passive activities. (See Passive Activity Checklist). Note that partnerships may group their activities in accordance with the new proposed regulation.	_____	_____	_____
110) Determine if the partnership agreement complies with the § 704 regulations.	_____	_____	_____
.1) If there is nonrecourse debt:			
(a) Consider the safe harbor provisions that if met, ensure that the allocations of deductions attributable to nonrecourse debt will be deemed to have substantial economic effect. (Reg. 1.704-2(e)).	_____	_____	_____
(b) Determine whether a minimum gain calculation may be necessary in order to ensure proper allocation of deductions attributable to the nonrecourse debt.	_____	_____	_____
.2) Determine if there were any partner or related party loans or guarantees. If so, consider:			
(a) Requirement to specially allocate losses to that partner. (Reg. 1.704-2(i)).	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(b) Whether an election was made under the final regulations. If so, assess its impact on partner loan recoveries.	_____	_____	_____
111) Determine that accounting methods used are comparable to the preceding year unless changes are approved or required.	_____	_____	_____
112) If the partnership is on the cash basis, determine if it must be on the accrual basis due to:			
.1) Classification as a tax shelter under § 461(i)(3).	_____	_____	_____
.2) Having a C corporation as a partner. Consider exceptions which allow partnerships with corporate partners to be on the cash basis:	_____	_____	_____
(a) \$5 million gross receipts test	_____	_____	_____
(b) "Function Exception"	_____	_____	_____
113) Determine if the partnership is a limited partnership.	_____	_____	_____
114) Inquire whether the partnership has made or received any below-market-rate term or demand loans. If so, determine imputed interest consequences.	_____	_____	_____
115) Review for adequate stated interest on all new or modified debt instruments. Determine whether original issue discount (OID) or the unstated interest rules require restatement of note interest and principal. Note that the proposed regulations under §§ 1274 and 1275 may change the method for calculating OID in "potentially abusive situations".	_____	_____	_____
116) Review prior year's return Schedule M-1, for items which may have an effect upon or require similar treatment in the current year.	_____	_____	_____
.1) Reconcile income per books with return (determine nontaxable income not included).	_____	_____	_____
.2) Reconcile expenses per books with return (determine nondeductible items not included).	_____	_____	_____
117) Determine if there has been any change in the partnership's ownership and/or a technical termination during the year.	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
118) If a technical termination of the partnership occurred, consider the effect on partnership elections, the basis of partnership property, depreciation methods, potential ITC recapture, ability to deduct unamortized costs and the need to file short period returns.	_____	_____	_____
119) If there were any sales or exchanges of partnership interests or partner deaths during the current year, determine if a § 754 election has been or should be made. If made, an adjustment to the basis of partnership property is mandatory. Note that if the partnership is a partner in another partnership, a § 754 election is necessary at both tiers.	_____	_____	_____
120) Determine whether property has been contributed by a partner after March 31, 1984, and if so, that <u>all</u> items of income, gain, loss and deductions are shared among the partners to take into account the variation between the basis of the property to the partnership and its value. (§ 704(c))	_____	_____	_____
121) Determine whether the partnership was required to register as a tax shelter - if so, place the registration number on each K-1.	_____	_____	_____
122) Determine that Form 8271 and appropriate K-1s are attached if the partnership invested in a registered tax shelter. Note that a copy must be sent to each individual partner.	_____	_____	_____
123) If the partnership has selected an allowable fiscal tax year other than the "required year," determine that Form 8716 has been timely filed, and that "required payments" have been made. Note that a copy of Form 8716 must be attached to Form 1065 for the first taxable year for which the election is made.	_____	_____	_____
124) Consider whether any changes in partners' taxable years modify the partnership's "required year." Consider the need for short period returns.	_____	_____	_____
125) If the return is for a short-year, review the related requirements, and note the due date.	_____	_____	_____
126) Determine if the partnership is a Publicly Traded Partnership.	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
127) Determine if the partnership has restructured any debt. If so:	_____	_____	_____
.1) Review for possible cancellation of indebtedness income.			
(a) Determine if there has been a "material modification" (Reg. 1.1001-1(a)) of the old debt which would constitute a taxable exchange of old debt for new debt. (See also, <u>Cottage Savings Ass'n v. Commissioner</u> , 111 S. Ct. 1503 (1991)).	_____	_____	_____
(b) If there has been a "material modification", review the Original Issue Discount (OID) rules to calculate possible cancellation of indebtedness income. Compare the issue price of the old debt to that of the new debt (after taking into account any adjustment to principal (if needed) due to the new debt's failure to meet the Applicable Federal Rate (AFR) for interest).	_____	_____	_____
.2) If the partnership has cancellation of indebtedness income, consider the possible exceptions to inclusion in income including:	_____	_____	_____
(a) § 108(a). Note that these tests are made at the partner level, not at the partnership level. (§ 108(d)(6))			
.1) If the exclusion is applicable consider the tax attribute reduction rules in § 108(b) and providing partners with information to complete Form 982.	_____	_____	_____
.2) Consider advising the partners of an ability to make a § 1017 election to reduce the basis of assets held by the partners. Note that this could require a stepdown in the depreciable assets of the partnership. (Form 982)	_____	_____	_____
(b) Purchase money debt. (§ 108(e)(5)). Note that the exceptions listed in § 108(e)(5)(B) are tested at the partnership level.	_____	_____	_____
(c) If the debt is nonrecourse, consider the possible application of the "freeing of assets" theory in			

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
<u>Fulton Gold v. Commr.</u> , 31 B.T.A. 519 (1934). But note also Rev. Rul. 91-31.	_____	_____	_____
.3) Determine if the new debt is qualified nonrecourse indebtedness.	_____	_____	_____
128) Determine the reporting requirements if the partnership has any tax exempt partners. (§ 6031(d))	_____	_____	_____
129) Determine if the partnership is a family partnership. (§ 704(e))	_____	_____	_____
200) INCOME			
201) Compare sources and amounts of portfolio income with prior year.	_____	_____	_____
202) Determine that only trade or business (e.g., not portfolio or rental) income is shown on Page 1 of Form 1065. Report rental real estate activities on Form 8825.	_____	_____	_____
203) Determine that installment sales are reported properly.	_____	_____	_____
.1) Determine that the full amount of depreciation recapture is reported in the year of sale whether or not a payment was received in that year.	_____	_____	_____
.2) Review for adequate stated interest on debt instruments received in connection with the sale. Determine whether original issue discount or unstated interest rules require restatement of note interest and principal.	_____	_____	_____
.3) Determine if the partnership is a "dealer" with respect to the related property. If so:			
(a) Determine that the installment method is <u>not</u> used to report post December 31, 1987 sales of dealer property. (Exceptions - farm property, certain timeshare rights and residential lots if proper election is made.)	_____	_____	_____
(b) Determine that the interest owed as a result of an election (a) above is properly reported. Note that the interest calculation is done at the partner level.	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
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	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.4) Consider special rules for installment reporting by certain non-dealers of real (post 1986 sales) or personal property (post 1988 sales) where the sales price exceeds \$150,000 (§ 453A). (Does not apply to certain farm property.)	_____	_____	_____
(a) Compute the interest charge imposed on outstanding tax deferred installment obligations if the face amount of these obligations that arose during, and are still outstanding at the close of, the tax year exceeds \$5,000,000. Note that the \$5,000,000 threshold test and interest calculation are done at the partner level. (IRS Announcement 89-33).	_____	_____	_____
(b) Determine that the proper amount is treated as a collection on any pledged installment obligation.	_____	_____	_____
.5) Consider election out of installment method.	_____	_____	_____
204) Deferred income and expenses:			
.1) Include in gross income, as appropriate, income deferred for books in the current year.	_____	_____	_____
.2) Exclude from gross income, as appropriate, income for books in the current year that was taken into income for tax in a prior year.	_____	_____	_____
.3) Determine deductibility of prepaid expenses.	_____	_____	_____
205) Examine fixed assets for any dispositions:			
.1) Reconcile to depreciation schedule.	_____	_____	_____
.2) Determine that related gains and losses are properly characterized.	_____	_____	_____
(a) Ordinary vs. capital vs. § 1231.	_____	_____	_____
(b) Long term or short term.	_____	_____	_____
.3) If property was sold, exchanged or involuntarily converted during the year, consider the provisions related to:			
(a) Nonrecognition of gain or loss. (Form 8824)	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
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	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(b) The rules for like kind exchanges with related parties.	_____	_____	_____
(c) Recapture of depreciation and/or investment tax credit, or reduction of ITC carryforward.	_____	_____	_____
206) Determine holding period and federal, state, AMT and ACE (if there are any corporate partners) basis of property sold.	_____	_____	_____
207) Determine that any sales of securities settled after year end, with a trade date within current year, are reported this year. Note special rules for "short sales" in § 1233.	_____	_____	_____
208) Determine if there were any wash sales.	_____	_____	_____
209) Determine if any gain on the disposition of market discount bonds issued after 7/18/84 must be treated as ordinary (interest) income.	_____	_____	_____
210) Determine if there were any sales or exchanges during the year between the partnership and a partner, or a related party to a partner to ensure compliance with §§ 267 and 707.	_____	_____	_____
211) Compare Forms 1099 received for proper inclusion in sales, interest income, dividends, etc.	_____	_____	_____
212) For leased vehicles and property, calculate the appropriate income to be reported by referring to the IRS tables.	_____	_____	_____
300) DEDUCTIONS			
301) Review the taxpayer's vacation pay accrual policy to determine if a deduction is allowable on the accrual basis (vested at year end and paid within two and one-half months after year end).	_____	_____	_____
302) Consider applicability of the uniform capitalization rules which apply to resellers with annual gross receipts in excess of \$10,000,000 and all producers of property.	_____	_____	_____
.1) Determine that all costs are included.	_____	_____	_____
.2) Consider interest capitalization rules for debt incurred to produce property.	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.3) If the beginning inventory is revalued:			
(a) Ascertain the amount of adjustment required for the beginning inventory due to the change in method of accounting (§ 481).	_____	_____	_____
(b) Ascertain § 481 forward spread period (not to exceed four years).	_____	_____	_____
(c) Determine that Form 3115 and the § 263A checklist (See IRS Notice 88-92) are attached to the tax return in the year of change.	_____	_____	_____
(d) Consider electing "simplified" methods.	_____	_____	_____
.4) For farmers and ranchers consider:			
(a) One-time election out of uniform capitalization rules if election was not required in a prior year.	_____	_____	_____
(b) The exemption for expenses incurred in the production of animals.	_____	_____	_____
.5) Review the definition of "producer" (Reg. 1.263A-1T(a)(5)(ii))	_____	_____	_____
303) For long-term contracts entered into after February 28, 1986:			
.1) Determine that taxpayers reporting under the completed-contract method recognize the appropriate amount of related income on the percentage-of-completion method. Note that the completed contract method is repealed for contracts entered into after 7-10-89.	_____	_____	_____
.2) Consider modifications to the percentage-of-completion method:			
(a) Completion percentage based on costs, not work performed.	_____	_____	_____
(b) The expanded requirement to capitalize costs similar to uniform capitalization rules.	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(c) The requirement to compare prior year estimate inaccuracies with actual costs at completion of the contract and pay/claim interest on related change to prior year taxes ("Look-Back Rule") (Form 8697).	_____	_____	_____
(d) Contract aggregation rules.	_____	_____	_____
(e) Option to "automatically" change to percentage of completion.	_____	_____	_____
(f) Related party rules.	_____	_____	_____
.3) Consider 10% de minimis rule.	_____	_____	_____
.4) Consider simplified method.	_____	_____	_____
304) Determine that all guaranteed payments to partners for services or use of capital, determined without regard to income, have been deducted in computing ordinary income, or have been capitalized as required.	_____	_____	_____
305) Inquire whether the partnership can substantiate by adequate records, as required under § 274, expenses claimed for entertainment, entertainment facilities, gifts, travel, conventions. Consider optional per diem method (Rev. Proc. 90-15).	_____	_____	_____
306) Limit meals and entertainment to 80%. Consider exceptions. Report the portion of the 20% disallowance on Schedule K-1 so that each partner can correctly determine their basis in the partnership.	_____	_____	_____
307) Verify that the proper allocations have been made dividing interest expense among type (investment, passive, consumer, etc.)	_____	_____	_____
308) Determine if interest deduction limitations apply to interest incurred to purchase or carry market discount bonds or short-term debt obligations.	_____	_____	_____
309) Other interest considerations:			
.1) Treat amortizable bond premiums (for bonds acquired after 1987) as an offset to interest income. (Note election under § 171(c)).	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.2) Eliminate interest expense on debts with respect to life insurance policies (purchased after June 20, 1986) on beneficial owners and key employees to the extent that the total of such loans exceeds \$50,000.	_____	_____	_____
310) Determine that retirement plan contributions are made timely and within allowable limits and are properly reported on Schedule K and Page 1. Consider informing client about a possible need to file 5500 series returns.	_____	_____	_____
311) If taxpayer maintains a profit sharing plan and has not contributed the maximum contribution for each taxable year beginning prior to 1987, calculate the unfunded contribution carryover amount.	_____	_____	_____
312) Determine that the partnership has not deducted interest or expenses accrued to a partner or a related party unless it is includable in the income of the partner or related party. (§ 267)	_____	_____	_____
313) Determine that expenses (including interest) allocable to portfolio income have not been deducted on Page 1. They should be reported on Schedule K.	_____	_____	_____
314) If noncash charitable contributions exceed \$500, consider whether Form 8283 is required. Note that a copy of Form 8283 may be required to be provided to each partner.	_____	_____	_____
315) If a partner has received an interest in exchange for services rendered, determine if the partnership has properly accounted for the exchange. Note <u>Campbell v. Comr.</u> , No. 90-2730, 8th Cir (8/27/91), reversing T. C. Memo 1990-162.	_____	_____	_____
316) Consider the following:			
.1) Bad debts-specific charge off.	_____	_____	_____
.2) Worthless securities.	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
400) DEPRECIATION			
401) Consider various depreciation methods and lives:			
.1) Consider § 179 election to expense qualifying assets. Note proposed amendments to the regulations.	_____	_____	_____
.2) For acquisitions after December 31, 1986, determine the MACRS life for each asset placed in service and appropriate depreciation method. (See Rev. Procs. 87-56 and 88-22)	_____	_____	_____
.3) Determine the applicable convention (e.g. half-year, mid-quarter).	_____	_____	_____
.4) For leasehold improvements made after December 31, 1986, determine that the cost is being recovered over the applicable recovery period, regardless of the lease period.	_____	_____	_____
.5) Consider electing the alternative depreciation system (ADS) (150% or SL) for property placed in service during the year.	_____	_____	_____
.6) If a short year, determine that Rev. Proc. 89-15 is followed.	_____	_____	_____
.7) Consider depreciation limitations for IDB financed property, and certified historic structures for which a tax credit was taken.	_____	_____	_____
.8) For farming, determine that MACRS is applied using 150% DB. Note that ADS-SL is required if elected out of § 263A.	_____	_____	_____
.9) If there has been a purchase price adjustment see Prop. Reg. 1.168-2(d)(3).	_____	_____	_____
.10) Determine appropriate depreciation method for any basis adjustments under § 754.	_____	_____	_____
.11) If the partnership has any tax-exempt partners, or leases property to a tax exempt entity, consider the possible need to use the Alternative Depreciation System (ADS).	_____	_____	_____
402) Make adjustments for depreciable assets which are demolished, obsolete, abandoned and/or out of service. Consider investment credit and low income housing credit recapture.	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
403) For listed property (e.g., autos, cellular phones, computers, airplanes, boats):			
.1) For autos, consider the maximum allowable under the luxury auto rules.	_____	_____	_____
.2) For autos, determine limitation if the business usage is 50% or less.	_____	_____	_____
.3) Determine limitations for all other mixed-use property, if the business usage is 50% or less.	_____	_____	_____
.4) Inquire if the partnership has kept the required records indicating the business and personal use of property.	_____	_____	_____
.5) Determine recapture if the business usage is 50% or less.	_____	_____	_____
404) Determine if property/equipment leases are operating leases or capital leases.	_____	_____	_____
405) Form 4562 (if required):			
.1) Reconcile depreciation expense to supporting schedules.	_____	_____	_____
.2) Complete all questions regarding personal use of listed property (applies to standard mileage rate autos).	_____	_____	_____
.3) Determine that all amortizable items are separately stated and the proper Code section cited.	_____	_____	_____
406) Consider anti-churning rules.	_____	_____	_____
407) Consider tax preference depreciation and depreciation adjustments.	_____	_____	_____
408) If the partnership has any corporate partners, provide the detail necessary to comply with § 291 and to calculate the ACE adjustment.	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
500) PARTNER DATA - SCHEDULE K-1			
501) Complete the analysis of distributive items at the bottom of Schedule K.	_____	_____	_____
502) If the partnership has acquired real estate after December 31, 1986, or a partner has acquired an interest in the partnership after December 31, 1986:			
.1) Apply the "at-risk" rules.	_____	_____	_____
.2) Identify any qualified nonrecourse debt allocated to the partners.	_____	_____	_____
503) Consider whether any income from a pre- 1987 installment sale should be considered passive income.	_____	_____	_____
504) Verify that the beginning and ending total partners' capital figures on Schedule L agree with the reconciliation of partners' capital accounts - Schedule M-2. Note that although the instructions to Form 1065 include a reference to the regulations under § 704 for determining capital accounts, IRS Publication 541 indicates the capital account balance on M-2 should agree with the balance used on the partners "books of account." Therefore, it would appear that § 704 capital accounts are optional.	_____	_____	_____
505) Complete each partner's reconciliation of capital. Verify that the total agrees to the corresponding line on Schedule M-2 Form 1065.	_____	_____	_____
506) Determine the allocation of the partnership's recourse and nonrecourse liabilities and enter separately on each partner's Schedule K-1. Schedule K-1 has separate lines for nonrecourse, qualified nonrecourse and other (recourse). Note that the new final § 752 regulations may require debt to be allocated other than in accordance with the profit or loss percentages.	_____	_____	_____
507) Distribute each item on Schedule K among the K-1s in accordance with the provisions of the partnership agreement, or in accordance with § 704(b) if the partnership agreement is silent on § 704(b).	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
508) Determine that proper reporting and detail have been provided for all items that affect partners' tax liability. Particular attention should be given to items such as:			
.1) Ordinary trade or business income.	_____	_____	_____
.2) Rental activities.	_____	_____	_____
.3) Portfolio income by type (e.g., U.S. government interest income, state or municipal interest income), and related deductions. Consider need to attach required statement under Reg. 1.265-1(d)(1).	_____	_____	_____
.4) Passive activity data. See Passive activity checklist.	_____	_____	_____
.5) Partners' medical insurance and other fringe benefits. (Rev. Rul. 91-26)	_____	_____	_____
.6) Cancellation of indebtedness income.	_____	_____	_____
.7) Self-charged interest. Note proposed regulations allowing for possible recharacterization of interest income (See Passive activity checklist).	_____	_____	_____
.8) All items that affect partner basis calculations (e.g., nondeductible items.)	_____	_____	_____
.9) Guaranteed payments (matching of deduction by partnership and income for partner is required). Note also that group benefits provided to a partner must be treated as guaranteed payments. (Rev. Rul 91-26).	_____	_____	_____
.10) Credit information.	_____	_____	_____
.11) Interest incurred in the production of property which may have to be capitalized at the partner level (Notice 88-99).	_____	_____	_____
509) Segregate all tax preference and alternative minimum tax adjustment items and list on the appropriate lines of Schedules K & K-1. Note rule regarding charitable donations of appreciated tangible personal property.	_____	_____	_____
510) Prepare schedules that reflect each partner's share of property subject to investment credit recapture.	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
511) Determine that information relating to interest expense on debt-financed distributions to partners has been provided. (IRS Notice 89-35)	_____	_____	_____
512) If the partnership has any foreign partners:			
.1) Determine that proper withholding was made. (Rev. Proc. 89-31).	_____	_____	_____
.2) Determine that proper payments to IRS of such withholding have been provided for 1992 and 1993. Note Forms 8804, 8805 and 8813.	_____	_____	_____
600) OTHER REQUIREMENTS			
601) Compute net earnings from self-employment for applicable partners and enter on Schedule K and appropriate K-1 forms.	_____	_____	_____
602) If a tiered partnership arrangement exists, review §§ 706(c)(2)(B) and 706(d)(3) regarding allocation rules.	_____	_____	_____
603) Determine if there has been a transfer of partnership interests during the year and if so, allocate income or loss in accordance with § 706.	_____	_____	_____
604) Consider the following elections:			
.1) Amortize organization expense.	_____	_____	_____
.2) Cash vs. accrual method.	_____	_____	_____
.3) Amortize business start-up costs.	_____	_____	_____
.4) Expense intangible drilling costs.	_____	_____	_____
.5) Method for valuation of inventory.	_____	_____	_____
.6) Research and experimental costs.	_____	_____	_____
.7) Exception from economic performance for recurring items. Under the final regulations, the election is made by accounting for items under the recurring method on the timely filed 1992 tax return. Note that this election does not apply to tax shelters (§ 461(i)).	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.8) For real property taxes, determine if a § 461(c) election to accrue ratably is more beneficial than adopting the recurring item exception. (Rev. Proc. 92-28).	_____	_____	_____
605) Determine if the partnership incurred any expenditures eligible for the disabled access credit. (See Form 8826). If the taxpayer does not qualify for the credit, or has expenditures in excess of the credit limit, consider making a § 190 election to expense the costs.	_____	_____	_____
606) If low income housing, attach the transition rule statement under § 502 of the Tax Reform Act of 1986, if required.	_____	_____	_____
607) If the partnership has made an "applicable asset acquisition" (transfer of assets that constitute a trade or business or a transfer or distribution to which § 755 applies), determine that applicable reporting requirements regarding allocation of purchase price have been met. (See Form 8594 and § 1060). Note that the Revenue Reconciliation Act of 1990 may require filing Form 8594 in transactions with 10% partners even if the transaction does not constitute an applicable asset acquisition. Note also that the transfer of a partnership interest is not a transaction that must be reported on Form 8594.	_____	_____	_____
608) If the partnership owns an interest in another partnership:			
.1) Determine that sufficient basis exists to deduct losses.	_____	_____	_____
.2) Report appropriate recourse and nonrecourse debt from the other partnership on the partners' K-1s. (Rev. Rul. 77-309)	_____	_____	_____
.3) For a distribution from or a technical termination in the 2nd tier partnership, consider making a § 732(d) election. (Note that a technical termination in the 2nd tier may result in a technical termination of the partnership).	_____	_____	_____
609) Consider that § 6662 provides a 20% penalty for substantial understatement of tax liability. If this penalty could result from any income, deduction, loss, or credit item which causes a substantial change in the partner's return and causes the preparer to rise to the level of preparer of the partner return, then:			

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.1) Consider if substantial authority exists for the item in question. If not, consider disclosure. (Form 8275 or 8275R)	_____	_____	_____
.2) Determine if the partnership is a tax shelter for purposes of § 6662.	_____	_____	_____
610) Consider informing client of possible need to file Form 8300 for certain payments received exceeding \$10,000. Note new rules issued in the final regulations under § 6050.	_____	_____	_____
611) Consider advising general partner about the new estimated tax rules for greater than 10% partners.	_____	_____	_____
612) If a partnership interest was sold during the year, attach Form 8308 (if required) to the partnership return and send copies to the transferor and transferee. Note that certain contribution-distribution arrangements may constitute a "disguised sale" under the final regulations under § 707(a)(2). Some of these transactions may be required to be reported on Form 8275 or 8275R. (Reg. 1.707-8)	_____	_____	_____
613) If the partnership sells an interest it owns in another partnership that has § 751(a) assets, attach the required statement under Reg. 1.751-1(a)(3).	_____	_____	_____
614) If a new partner was admitted, determine if existing partners realized ordinary income due to a reduction in their share of unrealized receivables. Note that if there has been an in-kind distribution, consider gain recognition provisions of the Revenue Reconciliation Act of 1989.	_____	_____	_____
615) Compare net income or loss to any projections for reasonableness.	_____	_____	_____
616) Prepare state and local tax returns.	_____	_____	_____
Consider:			
.1) Each state's modification requirements. (including ability to deduct expenses allocated to federally tax-exempt income).	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.2) State withholding requirements on income allocated to non-resident partners, or distributions made to non-resident partners. Note that the partners may be able to use this state tax liability as a credit against their individual state liability.	_____	_____	_____
.3) State filing requirements for foreign (out of state) partnerships with resident partners.	_____	_____	_____
.4) Providing proper information to allow partners to prepare the necessary state tax returns.	_____	_____	_____
.5) Filing requirements for "limited liability companies".	_____	_____	_____
617) Attach extension requests to tax returns.	_____	_____	_____
618) Determine that related party transactions are reported on all appropriate returns that you prepare.	_____	_____	_____
619) Information returns:			
.1) Determine whether the partnership has filed all required information returns (1099 and 1098 series) and whether the personal use portion of employer property and § 401(k) deferred compensation information has been included in its employees' W-2s.	_____	_____	_____
.2) Consider magnetic media filing requirements for Forms 1099 and W-2.	_____	_____	_____
.3) Consider additional items subject to employer FICA, such as § 401(k) deferrals, employer-provided excess group-term life insurance, all cash tips, etc.	_____	_____	_____
620) Determine that Form 5500 has been filed for benefit plans (e.g., life insurance, medical or dental benefit plans) that have more than 100 participants.	_____	_____	_____

PARTNERSHIP RETURN OF INCOME CHECKLIST
1992 - FORM 1065

<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
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621) Note any tax planning suggestions.

_____	_____	_____
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COMMENTS OR EXPLANATIONS

ONE PAGE
C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>Done</u>	<u>N/A</u>		<u>Done</u>	<u>N/A</u>
GENERAL INFORMATION					
1. Review prior year returns, work papers, correspondence and audit results.	<input type="checkbox"/>	<input type="checkbox"/>	4. Limit meals and entertainment to 80%.	<input type="checkbox"/>	<input type="checkbox"/>
2. Verify any changes in corporation's name, address, FYE, business code, FEIN.	<input type="checkbox"/>	<input type="checkbox"/>	5. Consider any worthless securities or bad debts.	<input type="checkbox"/>	<input type="checkbox"/>
3. Determine if any IRS or state audits.	<input type="checkbox"/>	<input type="checkbox"/>	DEPRECIATION		
4. Consider signed engagement letter.	<input type="checkbox"/>	<input type="checkbox"/>	1. Determine if § 179 election is applicable.	<input type="checkbox"/>	<input type="checkbox"/>
5. If computer generated return, review proforma for accuracy.	<input type="checkbox"/>	<input type="checkbox"/>	2. Determine that ACRS, MACRS and non-recovery deductions are properly computed.	<input type="checkbox"/>	<input type="checkbox"/>
6. Reconcile income and expenses per return with books.	<input type="checkbox"/>	<input type="checkbox"/>	3. Calculate AMT and ACE depreciation.	<input type="checkbox"/>	<input type="checkbox"/>
7. Update carryforward schedules.	<input type="checkbox"/>	<input type="checkbox"/>	4. Consider listed property rules.	<input type="checkbox"/>	<input type="checkbox"/>
8. Review methods of accounting.	<input type="checkbox"/>	<input type="checkbox"/>	TAX COMPUTATIONS AND CREDITS		
INCOME			1. Compute alternative minimum tax (including ACE adjustment).	<input type="checkbox"/>	<input type="checkbox"/>
1. Determine that sales of fixed assets are reported properly.	<input type="checkbox"/>	<input type="checkbox"/>	2. Determine if PHC tax is applicable.	<input type="checkbox"/>	<input type="checkbox"/>
2. Compute proper dividend received deduction.	<input type="checkbox"/>	<input type="checkbox"/>	3. If PSC, compute tax at 34%.	<input type="checkbox"/>	<input type="checkbox"/>
3. Determine that installment sales are reported properly.	<input type="checkbox"/>	<input type="checkbox"/>	4. Confirm prior year overpayments, estimates and extension payments.	<input type="checkbox"/>	<input type="checkbox"/>
4. If closely held or PSC, consider any passive loss limitations.	<input type="checkbox"/>	<input type="checkbox"/>	5. If applicable, prepare Form 2220.	<input type="checkbox"/>	<input type="checkbox"/>
5. Consider the following:			6. Prepare subsequent period estimates.	<input type="checkbox"/>	<input type="checkbox"/>
Discharge of indebtedness	<input type="checkbox"/>	<input type="checkbox"/>	OTHER REQUIREMENTS		
Wash sales	<input type="checkbox"/>	<input type="checkbox"/>	1. Determine if NOL carryback claim is required.	<input type="checkbox"/>	<input type="checkbox"/>
Deferred income and expenses	<input type="checkbox"/>	<input type="checkbox"/>	2. Consider election to relinquish NOL carryback.	<input type="checkbox"/>	<input type="checkbox"/>
DEDUCTIONS			3. Determine if any elections are required.	<input type="checkbox"/>	<input type="checkbox"/>
1. Determine if § 263A is applicable.	<input type="checkbox"/>	<input type="checkbox"/>	4. Prepare state and local tax returns.	<input type="checkbox"/>	<input type="checkbox"/>
2. Determine if charitable deduction limitations apply.	<input type="checkbox"/>	<input type="checkbox"/>	5. Attach extensions.	<input type="checkbox"/>	<input type="checkbox"/>
3. Determine deductibility of vacation pay accrual.	<input type="checkbox"/>	<input type="checkbox"/>	6. Note any tax planning suggestions.	<input type="checkbox"/>	<input type="checkbox"/>

SHORT VERSION
C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
100) GENERAL INFORMATION			
101) Review the corporation's name, address, fiscal year, incorporation date, business code and identification number.	_____	_____	_____
102) Consider signed engagement letter.	_____	_____	_____
103) Review prior year returns, memos, workpapers and correspondence files.	_____	_____	_____
104) If computer generated return, review proforma for accuracy.	_____	_____	_____
105) Check for carryover items and update carryforward schedule.	_____	_____	_____
106) Determine that accounting methods used are comparable to the preceding year unless changes are approved or required.	_____	_____	_____
107) Determine if there have been any exams of previously filed returns.	_____	_____	_____
200) INCOME			
201) Determine that installment sales are properly reported.	_____	_____	_____
202) Determine that deferred income and expenses for book purposes are properly reported for tax purposes.	_____	_____	_____
203) Sale or other disposition of property:			
.1) Check for recapture items.	_____	_____	_____
.2) Review interest rates on debt instruments.	_____	_____	_____
.3) Consider non-recognition of gain or loss.	_____	_____	_____

SHORT VERSION
C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.4) Determine proper character and reporting of gain or loss.	_____	_____	_____
204) Determine taxability of dividends and complete schedule C. Consider 20% ownership rule.	_____	_____	_____
205) Exclude tax exempt income from federal gross income and state and local income as applicable.	_____	_____	_____
206) Consider the passive loss limitations for closely held or PSC's.	_____	_____	_____
207) Determine if there is any discharge of indebtedness income and consider exclusions under § 108.	_____	_____	_____
300) DEDUCTIONS			
301) Consider the uniform capitalization rules.	_____	_____	_____
302) Consider the charitable contribution limitations.	_____	_____	_____
303) Identify any nondeductible vacation pay accrual.	_____	_____	_____
304) Inquire whether the corporation can substantiate by adequate records expenses claimed for entertainment, gifts, travel and conventions.	_____	_____	_____
305) Limit deduction for meals and entertainment to 80% and consider exceptions.	_____	_____	_____
306) Determine whether accrued salary was paid within 2 1/2 months after the year end.	_____	_____	_____
307) Determine if expenses to more than 50% shareholders on the cash basis were paid by corporation's year end.	_____	_____	_____
400) DEPRECIATION			
401) Consider all depreciation requirements and options including:			
.1) § 179 election.	_____	_____	_____

SHORT VERSION
C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.2) Requirements relating to listed property.	_____	_____	_____
.3) Whether leases are operating leases or capital leases.	_____	_____	_____
402) Consider AMT and ACE depreciation.	_____	_____	_____
500) TAX COMPUTATIONS AND CREDITS			
501) Compute Alternative Minimum Tax (including ACE adjustment).	_____	_____	_____
502) Consider application of environmental tax.	_____	_____	_____
503) Consider tax credits.	_____	_____	_____
504) If corporation is a personal service corporation, calculate tax without benefit of graduated rates.	_____	_____	_____
505) Consider personal holding company status.	_____	_____	_____
506) Determine if accumulated earnings tax exposure is present.	_____	_____	_____
507) Confirm current year estimated tax payments, prior year overpayments applied and extension payments.	_____	_____	_____
508) Prepare Form 2220 for under-estimated tax calculation or exception if applicable.	_____	_____	_____
509) Determine need for subsequent period estimated tax payments.	_____	_____	_____
510) If a consolidated return, attach Form 851, master apportionment schedule, and for member's first year, Form 1122.	_____	_____	_____
600) OTHER REQUIREMENTS			
601) If the corporation has made an "applicable asset acquisition", determine whether Form 8594 must be filed.	_____	_____	_____
602) For any carryforward NOL, attach supporting schedule.	_____	_____	_____
603) If there is a current period NOL, consider the election to forego the carryback.	_____	_____	_____

SHORT VERSION
C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
604) Prepare Form 1139 for any carrybacks.	_____	_____	_____
605) If there is an NOL generated or utilized in the current year, disclosure is required if any change in ownership.	_____	_____	_____
606) Consider elections such as:			
.1) Amortization of organization expense.	_____	_____	_____
.2) Amortization of business startup costs.	_____	_____	_____
.3) Exception from economic performance for recurring items.	_____	_____	_____
.4) Ratable accrual of real property taxes.	_____	_____	_____
607) Consider applicable reporting requirements for corporate liquidations and reorganizations.	_____	_____	_____
608) Reconcile net income per books to taxable income.	_____	_____	_____
609) Cross reference the following items:			
1. Schedule L beginning balance to prior year's ending balances.	_____	_____	_____
2. Schedule M-2 beginning retained earnings to prior year's ending balance.	_____	_____	_____
3. Carryforward items to carryover schedule/prior year returns.	_____	_____	_____
610) Consider risk of accuracy related penalty. (§ 6662)	_____	_____	_____
611) Consider state tax return issues such as:			
.1) Tax credits.	_____	_____	_____
.2) Doing business in new states.	_____	_____	_____
.3) Unitary filing requirements.	_____	_____	_____
.4) Allocation of investment income.	_____	_____	_____

SHORT VERSION
C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
612) Attach extension requests to returns.	_____	_____	_____
613) Inquire if employee benefit plans have been reviewed to determine if they are in compliance due to changing corporate circumstances and the tax law changes.	_____	_____	_____
614) Compare taxable income to any projections for reasonableness.	_____	_____	_____
615) Note any tax planning suggestions.	_____	_____	_____

COMMENTS OR EXPLANATIONS

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
100) GENERAL INFORMATION			
101) Review the corporation's name, address, fiscal year, incorporation date, business code and identification number.	_____	_____	_____
102) Consider signed engagement letter.	_____	_____	_____
103) Review prior year returns, memos, workpapers and correspondence files.	_____	_____	_____
104) If computer generated return, review proforma for accuracy of information.	_____	_____	_____
105) If the corporation has been examined by the Internal Revenue Service, state or local taxing authorities:			
.1) Obtain copies of the revenue agent's reports.	_____	_____	_____
.2) Verify that the agent's adjustments have been entered on the corporation's records.	_____	_____	_____
.3) Determine whether amended state tax returns should be or are required to be filed to reflect federal audit adjustments.	_____	_____	_____
.4) If any of the agent's adjustments affect federal or state income tax returns of years other than those audited, consider filing amended returns.	_____	_____	_____
106) Review and update schedules for carryover items such as:			
.1) Prior year overpayment(s) credited to current year estimate.	_____	_____	_____
.2) Net operating loss.			
(a) Consider limitations due to change in ownership rules (§ 382).	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(b) Consider SRLY limitation for consolidated returns.	<hr/>	<hr/>	<hr/>
.3) Capital loss.	<hr/>	<hr/>	<hr/>
.4) Investment credit.	<hr/>	<hr/>	<hr/>
.5) AMT credit.	<hr/>	<hr/>	<hr/>
.6) Other credits.	<hr/>	<hr/>	<hr/>
.7) Charitable contributions.	<hr/>	<hr/>	<hr/>
.8) Installment sales.	<hr/>	<hr/>	<hr/>
.9) Passive loss/credits (regular and AMT).	<hr/>	<hr/>	<hr/>
.10) Change of accounting method adjustments (§ 481).	<hr/>	<hr/>	<hr/>
.11) § 179 amounts.	<hr/>	<hr/>	<hr/>
.12) For consolidated returns, excess loss account.	<hr/>	<hr/>	<hr/>
107) Inquire whether the taxpayer has made or received any below-market-rate loans. If so, determine imputed interest consequences and existence of properly executed note.	<hr/>	<hr/>	<hr/>
108) Consider whether or not corporate capitalization is realistic in light of the debt/equity rules.	<hr/>	<hr/>	<hr/>
109) Determine if there have been any changes in stock ownership during the tax year.	<hr/>	<hr/>	<hr/>
110) Determine officers' compensation and complete Schedule E, if required.	<hr/>	<hr/>	<hr/>
111) Determine if the corporation is a Personal Service Corporation and is required to file on a calendar-year basis (Be aware of § 444 election).	<hr/>	<hr/>	<hr/>

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
112) If the corporation is on a cash basis, determine if the accrual basis is required (generally, gross receipts in excess of \$5 million unless the corporation meets either the function and ownership tests for personal service corporations or special rules regarding family farm corporations with gross receipts not exceeding \$25 million, and other farm corporations with gross receipts not exceeding \$1 million).	_____	_____	_____
113) Determine if accounting methods used are comparable to the preceding year unless changes are approved or required.	_____	_____	_____
200) INCOME			
201) Determine that installment sales are reported properly.			
.1) Determine that the full amount of depreciation recapture is reported in the year of sale whether or not payment was received in that year.	_____	_____	_____
.2) Review for adequate stated interest on debt instruments received in connection with the sale. Determine whether original issue discount or unstated interest rules require restatement of note interest and principal.	_____	_____	_____
.3) Determine if the corporation is a "dealer" with respect to the related property. If so:	_____	_____	_____
(a) Determine that the installment method is <u>not</u> used to report post December 31, 1987 sales of dealer property (Exceptions - farm property, certain timeshare rights and residential lots if proper election is made).	_____	_____	_____
(b) Determine that the interest owed as a result of an election in (a) above is properly reported.	_____	_____	_____
.4) Consider special rules for installment reporting by certain non-dealers of real (post 1986 sales) or personal property (post 1988 sales) where the sales price exceeds \$150,000 (§ 453A) (Does not apply to certain farm property).	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(a) Compute the interest charge imposed on outstanding tax deferred installment obligations if the face amount of these obligations that arose during, and are still outstanding at the close of, the tax year exceeds \$5,000,000.	_____	_____	_____
(b) Determine that the proper amount is treated as a collection on any pledged installment obligation.	_____	_____	_____
.5) Consider election out of installment method.	_____	_____	_____
202) Deferred income and expenses:			
.1) Include in gross income, as appropriate, income deferred for books in the current year.	_____	_____	_____
.2) Exclude from gross income, as appropriate, income for books in the current year that was taken into income for tax in a prior year.	_____	_____	_____
.3) Determine deductibility of prepaid expenses.	_____	_____	_____
203) Examine fixed assets for any dispositions:			
.1) Reconcile to depreciation schedule.	_____	_____	_____
.2) Determine that related gains and losses are properly characterized:			
(a) Ordinary, § 1231, capital	_____	_____	_____
(b) Long term, short term	_____	_____	_____
.3) If property was sold, exchanged or involuntarily converted during the year, consider the provisions relating to:			
(a) Non-recognition of gain or loss (§§ 1031 and 1033 and Form 8824).	_____	_____	_____
(b) Rules for like-kind exchanges with related parties.	_____	_____	_____
(c) Recapture of depreciation and/or investment tax credit; or reduction of ITC carryforward.	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
204) If there are any § 1231 gains, determine the amounts, if any, subject to ordinary income treatment as a result of prior years' § 1231 losses.	_____	_____	_____
205) Determine holding period and federal and state tax basis of property sold.	_____	_____	_____
206) Review application of the wash sale rules.	_____	_____	_____
207) Determine if any sales of securities settled after year end, with a trade date within current year, are reported this year. Note special rules for short sales in § 1233.	_____	_____	_____
208) Exclude interest on state or local obligations from federal taxable income; however, enter amounts on Form 1120, Page 3, Schedule K, Question 11.	_____	_____	_____
209) Exclude interest on exempt state, local and federal obligations from state and local taxable income if applicable.	_____	_____	_____
210) Determine taxability of dividends and complete Schedule C.	_____	_____	_____
.1) Consider 20% ownership rule.	_____	_____	_____
.2) Determine that stock was held at least 46 days.	_____	_____	_____
211) For passive activities see Passive Activity Checklist and consider:			
.1) Passive activity elections.	_____	_____	_____
.2) If any pass-through entity in which the corporation has an interest has made an activity election to separate activities.	_____	_____	_____
212) If either of the following apply, the corporation's losses from an activity may be limited (see Passive Activity Checklist):			
.1) During the last half of the year, there are five or fewer individuals who own directly or indirectly more than 50% of the stock and shareholders owning (in the aggregate) more than 50% are NOT materially participating in the activity.	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.2) The corporation is a personal service corporation - even if shareholders are materially participating in the activity.	_____	_____	_____
213) Determine that a closely held corporation (other than a PSC) subject to the passive activity rules claims passive losses only as an offset to passive income and net active income.	_____	_____	_____
214) Determine if an M-1 adjustment is required for any change in the cash surrender value of key person life insurance.	_____	_____	_____
215) Determine whether income from services does not have to be accrued if, based on experience, such amounts will not be collected (§ 448(d)(5)).	_____	_____	_____
216) For leased vehicles and property, calculate the appropriate income to be reported by referring to the IRS tables.	_____	_____	_____
217) Determine if there is any discharge of indebtedness income and consider exclusions under § 108.	_____	_____	_____
300) DEDUCTIONS			
301) Review the taxpayer's vacation pay policy to determine if a deduction is allowable on the accrual basis (vested at year end and taken within 2-1/2 months after year end).	_____	_____	_____
302) Consider the applicability of the uniform capitalization rules which apply to resellers with annual gross receipts in excess of \$10 million and all producers of property.	_____	_____	_____
.1) Determine that all costs are included.	_____	_____	_____
.2) Consider interest capitalization rules for debt incurred to produce property.	_____	_____	_____
.3) If the beginning inventory is revalued:			
(a) Ascertain the amount of adjustment required for the beginning inventory due to the change in method of accounting (§ 481).	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(b) Ascertain § 481 forward spread period (not to exceed four years).	_____	_____	_____
(c) Determine that Form 3115 and the 263A checklist (Notice 88-92) are attached to the tax return in the year of change.	_____	_____	_____
(d) Consider electing "simplified" methods.	_____	_____	_____
.4) For farmers and ranchers consider:			
(a) One-time election out of uniform capitalization rules if election was not required in a prior year.	_____	_____	_____
(b) The exemption for expenses incurred in the production of animals.	_____	_____	_____
.5) Review the definition of "producer" (Reg. 1.263A-1T(a)(5)(ii)).	_____	_____	_____
303) For long-term contracts entered into after February 28, 1986:			
.1) Determine that taxpayers reporting under the completed-contract method recognize the appropriate amount of related income on the percentage-of-completion method. Note the completed contract method is repealed for most contracts entered into after 7-10-89.	_____	_____	_____
.2) Consider modifications to the percentage-of-completion method:	_____	_____	_____
(a) Completion percentage based on costs, not work performed.	_____	_____	_____
(b) The expanded requirement to capitalize costs similar to uniform capitalization rules.	_____	_____	_____
(c) The requirement to compare prior year estimate inaccuracies with actual costs at completion of the contract and pay/claim interest on related change to prior year taxes ("Look-Back Rule") (Form 8697).	_____	_____	_____
(d) Contract aggregation rules.	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(e) Option to "automatically" change to percentage of completion.	<hr/>	<hr/>	<hr/>
(f) Related party rules.	<hr/>	<hr/>	<hr/>
.3) Consider 10% de minimis rule.	<hr/>	<hr/>	<hr/>
.4) Consider simplified method.	<hr/>	<hr/>	<hr/>
304) For charitable contributions:			
.1) Determine that all contributions are to qualified charitable organizations.	<hr/>	<hr/>	<hr/>
.2) Consider the contribution limitation and record any carryover amounts.	<hr/>	<hr/>	<hr/>
.3) If a carryforward deduction is claimed, attach a supporting schedule to the return.	<hr/>	<hr/>	<hr/>
.4) Consider the limitation related to contributions of appreciated ordinary income property.	<hr/>	<hr/>	<hr/>
.5) Consider that costs of contributed property held for sale in the course of a trade or business that are incurred in the year of contribution are to be treated as part of the cost of goods sold for such year, not a charitable contribution subject to the related rules and limitations.	<hr/>	<hr/>	<hr/>
.6) Consider the deduction for more than cost of appreciated capital gains property.	<hr/>	<hr/>	<hr/>
.7) Ascertain that minutes document authorization before year end for accrued charitable contributions, and contributions are paid within 2 1/2 months after year end. An election statement and a certified copy of the minutes should be attached to the return.	<hr/>	<hr/>	<hr/>
.8) Determine if Form 8283 is required for non-cash charitable donations.	<hr/>	<hr/>	<hr/>

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
305) Inquire whether the corporation can substantiate by adequate records, as required under § 274, expenses claimed for entertainment, entertainment facilities, gifts, travel and conventions. Consider optional per diem method (Rev. Proc. 90-15).	<hr/>	<hr/>	<hr/>
306) Determine if professional fees have to be capitalized.	<hr/>	<hr/>	<hr/>
307) Limit deductions for meals and entertainment to 80%. Consider exceptions.	<hr/>	<hr/>	<hr/>
308) Officers and shareholders:			
.1) Identify expenses for officers' life insurance which are non-deductible.	<hr/>	<hr/>	<hr/>
.2) Determine limitation on any losses during the year between related corporations/shareholders under § 267(a).	<hr/>	<hr/>	<hr/>
.3) If there were any accruals of interest, compensation or other expenses payable to a cash basis payee who owns directly or indirectly more than 50% of the corporation's stock, determine that for tax purposes the deduction is deferred until the year in which it is includable in the income of the shareholder.	<hr/>	<hr/>	<hr/>
.4) If the corporation has a fiscal year end and § 280H (regarding allowable applicable amounts) applies, determine the amount including carryover to be deducted in the current year.	<hr/>	<hr/>	<hr/>
.5) Determine if the corporation distributed appreciated property to its officers or shareholders, and if so, that gain is recognized.	<hr/>	<hr/>	<hr/>
.6) Determine whether there is an unreasonable compensation issue.	<hr/>	<hr/>	<hr/>
309) Determine applicability of Reg. 1.404(b)-1T 2½ month deferred compensation rule for all employees.	<hr/>	<hr/>	<hr/>
310) Determine if there are any non-deductible payments made under golden parachute agreements.	<hr/>	<hr/>	<hr/>

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
311) Determine that specific write-off method is used for bad debts.	_____	_____	_____
312) Review increases or decreases in reserve accounts for potential M-1 items.	_____	_____	_____
313) Determine if interest deduction limitations apply to interest incurred to purchase or carry market discount bonds or short-term debt obligations.	_____	_____	_____
314) If taxpayer maintains a profit sharing or stock bonus plan and has not contributed the maximum contribution for each taxable year beginning prior to 1987, calculate the unfunded contribution carryover amount.	_____	_____	_____
315) Determine applicability of rules with respect to post 10-2-89 transfers of franchises, trademarks and trade names.	_____	_____	_____
316) Determine if any inventory write-down for book purposes should be adjusted for tax purposes.	_____	_____	_____
317) Determine proper tax treatment for long-term lease agreements (as lessor or lessee) where the lease provides for automatic rent escalations (§ 467).	_____	_____	_____
318) Review penalties paid or accrued for deductibility.	_____	_____	_____
319) Determine applicability of Reg. 1.1502-20 regulations disallowing loss on disposition of stock of consolidated subsidiary.	_____	_____	_____
320) Other interest considerations:			
.1) Treat amortizable bond premiums (for bonds acquired after 1987) as an offset to interest income.	_____	_____	_____
.2) Eliminate interest expense on debts with respect to life insurance policies (purchased after June 20, 1986) on beneficial owners and key employees to the extent that the total of such loans exceeds \$50,000.	_____	_____	_____
321) Determine if any securities held by the corporation became worthless during the year. If the securities were in an affiliated corporation, the deduction may be ordinary under § 165(g)(3) subject to loss disallowance rules of Reg. 1.1502-20 (See 319 above).	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
322) Consider limitations on deducting expenses related to federally tax exempt income. Note that these expenses may be deductible at the state level if income is state taxable.	_____	_____	_____
400) DEPRECIATION			
401) Consider various depreciation methods and lives:			
.1) Consider § 179 election to expense qualifying assets. Note proposed amendments to the regulations.	_____	_____	_____
.2) For acquisitions after December 31, 1986, determine the MACRS life for each asset placed in service and appropriate depreciation method (Rev. Procs. 87-56 and 88-22).	_____	_____	_____
.3) Determine the applicable convention (e.g. half-year, mid-quarter).	_____	_____	_____
.4) For leasehold improvements made after December 31, 1986, determine that the cost is being recovered over the applicable recovery period, regardless of the lease period.	_____	_____	_____
.5) Consider electing the alternative depreciation system (150% or SL) for property placed in service during the year.	_____	_____	_____
.6) If a short year, determine that Rev. Proc. 89-15 is followed.	_____	_____	_____
.7) Consider depreciation limitations for IDB financed property, and certified historic structures for which a tax credit was taken.	_____	_____	_____
.8) For farming, determine that MACRS is applied using 150% DB. Note ADS-SL required if elected out of § 263A.	_____	_____	_____
.9) If there has been a purchase price adjustment, see Prop. Reg. § 1.168-2(d)(3).	_____	_____	_____
.10) If property is leased to a tax exempt entity, consider the possible need to use the alternative depreciation system (ADS).	_____	_____	_____
402) Make adjustments for depreciable assets which are demolished, obsolete, abandoned and/or out of service. Consider investment credit recapture.	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
403) For listed property (e.g. autos, cellular phones, computers, airplanes, boats):			
.1) For autos, consider the maximum deduction allowable under the luxury auto rules.	_____	_____	_____
.2) For autos, determine limitation if the business usage is 50% or less.	_____	_____	_____
.3) Determine limitations for all other mixed-use property, if the business usage is 50% or less.	_____	_____	_____
.4) Inquire if the taxpayer has kept the required records indicating the business and personal use of property.	_____	_____	_____
.5) Determine recapture if the business usage is 50% or less.	_____	_____	_____
404) Determine if property/equipment leases are operating leases or capital leases.	_____	_____	_____
405) Form 4562:			
.1) Reconcile depreciation expense to supporting schedules.	_____	_____	_____
.2) Complete all questions regarding personal use of listed property.	_____	_____	_____
.3) Determine that all amortizable items are separately stated and the proper Code section cited.	_____	_____	_____
406) Consider anti-churning rules.	_____	_____	_____
500) TAX COMPUTATIONS AND CREDITS			
501) Alternative minimum tax:			
.1) Adjustments must be made to regular taxable income or loss such as:			
(a) Depreciation on property placed in service after December 31, 1986 (or July 31, 1986, if election was made) must be recomputed using the alternative depreciation system (Rev. Proc. 87-57).	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(b) Mining exploration and development costs must be capitalized and amortized over a ten-year period.	_____	_____	_____
(c) Recomputing sales and exchanges using AMT adjusted basis.	_____	_____	_____
(d) Income from long-term contracts entered into after February 28, 1986 must be computed using the percentage-of-completion method of accounting (Note exception for home construction contracts).	_____	_____	_____
(e) Income from post-February 28, 1986 disposition of real or personal property held for sale in the ordinary course of business shall be determined without regard to the installment method, except in cases where an election is made to pay interest on the tax deferred by the installment method.	_____	_____	_____
(f) Certain farm losses (PSC's only).	_____	_____	_____
(g) Net passive activity losses as adjusted for tax preferences (Closely held corporations and PSC's only).	_____	_____	_____
.2) Tax preference items must be added such as:			
(a) Excess depletion.	_____	_____	_____
(b) Tax exempt interest from private activity bonds issued after August 7, 1986.	_____	_____	_____
(c) Appreciated property charitable deduction.	_____	_____	_____
(d) Excess intangible drilling costs.	_____	_____	_____
(e) Accelerated depreciation on real property placed in service before 1987.	_____	_____	_____
(f) Accelerated depreciation on leased personal property placed in service prior to 1987 (PHC's only).	_____	_____	_____
.3) Adjusted current earnings (ACE) adjustment (§ 56(g)) must be calculated taking into account adjustments such as:			

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(a) Depreciation.	_____	_____	_____
(b) E&P inclusion items:			
i) Tax exempt interest income.	_____	_____	_____
ii) Net death benefits from life insurance contracts.	_____	_____	_____
iii) Other.	_____	_____	_____
(c) E&P disallowed items:			
i) Dividend received deduction (70%).	_____	_____	_____
ii) Other.	_____	_____	_____
(d) Other E&P adjustments:			
i) LIFO.	_____	_____	_____
ii) Other.	_____	_____	_____
.4) Consider energy preference deduction.	_____	_____	_____
.5) An AMT net operating loss (NOL) deduction is allowed in place of the regular NOL deduction. Post 1986 AMT NOL deduction is available only to extent of 90% of pre-NOL AMTI.	_____	_____	_____
.6) Consider foreign tax credit and investment tax credit in AMT computation.	_____	_____	_____
.7) Consider AMT credit carryover.	_____	_____	_____
.8) Consider potential relief under AMT Tax Benefit Rule § 59(g).	_____	_____	_____
502) Environmental Tax:			
.1) If AMTI before energy preference and any NOL deduction is greater than \$2,000,000, consider the 0.12 percent environmental tax. See § 1561 for a limitation on the \$2,000,000 exemption for controlled corporations.	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.2) Deduct environmental tax as a tax expense in computing taxable income (§ 164(a)(5)).	_____	_____	_____
503) Consider § 1341 claim of right where an item of income was included in gross income in a previous year and a deduction for such item is allowable this year.	_____	_____	_____
504) Determine if the corporation is eligible for tax credits such as:			
.1) Foreign tax credit.	_____	_____	_____
.2) Investment tax credit (rehabilitation and transition).	_____	_____	_____
.3) Jobs credit.	_____	_____	_____
.4) Credit for increasing research activities.	_____	_____	_____
.5) Solar energy credit.	_____	_____	_____
.6) Credit for producing fuels from nonconventional source.	_____	_____	_____
.7) Gasoline and special fuels credit.	_____	_____	_____
.8) Low income housing credit.	_____	_____	_____
.9) Disabled access credit.	_____	_____	_____
505) Determine if the corporation is a personal holding company. If so, prepare Schedule PH, Form 1120.	_____	_____	_____
506) If corporation is a personal service corporation, calculate tax without benefit of graduated rates.	_____	_____	_____
507) Determine if accumulated earnings tax exposure is present.	_____	_____	_____
508) Confirm the amounts and dates of any federal, state and local estimated tax deposits for the year, and prior year overpayments applied, backup withholding and extension payments.	_____	_____	_____
509) If estimated tax deposits are less than 90% of the tax liability, which includes alternative minimum, prepare Form 2220, if applicable.	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
510) Consider estimated tax payments for the following year and large corporation estimated payment, if applicable. Note: Prior year safe harbor does not apply if prior year return shows no tax or if no prior year return was filed.	_____	_____	_____
511) If this is a consolidated tax return:			
.1) Attach Form 851.	_____	_____	_____
.2) Attach Form 1122 (only for member's first year).	_____	_____	_____
.3) Attach surtax master apportionment schedule.	_____	_____	_____
.4) Determine that intercompany eliminations are calculated correctly.	_____	_____	_____
.5) Consider 30-day rule for incoming and ongoing members.	_____	_____	_____
512) If corporation is a member of a controlled group, consider special allocation rules under §§ 1561 and 1563. Attach apportionment schedule, if applicable.	_____	_____	_____
600) OTHER REQUIREMENTS			
601) If the corporation has made an "applicable asset acquisition" (transfer of assets that constitute a trade or business), determine that applicable reporting requirements regarding allocation of purchase price have been met (See Form 8594).	_____	_____	_____
602) Determine if Form 8271 is required for tax shelters.	_____	_____	_____
603) Net Operating Losses:			
.1) If a net operating loss deduction is claimed, prepare a supporting schedule to be attached to the return.	_____	_____	_____
.2) If there is a net operating loss in the current year, consider carryover in lieu of carryback and election required.	_____	_____	_____
.3) If there is a net operating loss incurred in the current year, or a carry forward deducted in the current year, disclosure is required if any change of ownership.	_____	_____	_____
.4) Prepare Form 1139 for carrybacks.	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.5) If NOL is anticipated for next year, consider filing Form 1138 to extend time for paying current year's tax.	_____	_____	_____
604) Consider elections and statements such as:			
.1) Election to amortize organization expense.	_____	_____	_____
.2) Election to amortize business start-up costs.	_____	_____	_____
.3) Election to expense intangible drilling costs.	_____	_____	_____
.4) § 351, statement of transferred assets.	_____	_____	_____
.5) LIFO election.	_____	_____	_____
.6) Research and experimental election.	_____	_____	_____
.7) Exception from economic performance for recurring items. Under final regulations, the election is made by accounting for items under the recurring method on a timely filed 1992 tax return.	_____	_____	_____
.8) For real property taxes, determine if a § 461(c) election to accrue ratably is more beneficial than adopting the recurring item exception (Rev. Proc. 92-28).	_____	_____	_____
.9) Election to apply any overpayment to a particular quarter other than the first (Rev. Rul. 88-98).	_____	_____	_____
.10) § 265 (expenses and interest related to tax-exempt income) allocation statement.	_____	_____	_____
605) Consider applicable reporting requirements for corporate liquidation and reorganization, including:			
.1) Reorganizations (Reg. 1.368-3).	_____	_____	_____
.2) Liquidation (Reg. 1.332-6).	_____	_____	_____
.3) Corporate separations (Reg. 1.355-5).	_____	_____	_____
606) Reconcile net income per books to taxable income, including review of prior year schedule M-1 adjustments.	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
607) Cross reference the following items:			
.1) Schedule L beginning balances to prior year's ending balances.	_____	_____	_____
.2) Schedule M-2 beginning retained earnings to prior year's ending balance.	_____	_____	_____
.3) Detail listings of Schedule L beginning balances to prior year's detail listings of ending balances.	_____	_____	_____
.4) Carryforward items to carryover schedule/prior year returns.	_____	_____	_____
608) Cross reference line items to supporting schedules within the return.	_____	_____	_____
609) Consider § 6662 that provides a 20% penalty for substantial understatement of tax liability. If this penalty could result from any income, deduction, loss, or credit item, then:			
.1) Consider if substantial authority exists for the item in question. If not, consider disclosure (Form 8275 or 8275R).	_____	_____	_____
.2) Consider advising the taxpayer, in writing, of the penalty.	_____	_____	_____
610) Consider filing requirements related to ownership in foreign corporations (Form 5471).	_____	_____	_____
611) Consider filing requirements of foreign owned corporations (Form 5472).	_____	_____	_____
612) Determine if Form TD F 90-22.1 is needed to report foreign bank accounts.	_____	_____	_____
613) Consider any other foreign reporting requirements.	_____	_____	_____
614) Prepare state and local tax returns and review each state's modification requirements. Compile apportionment data.	_____	_____	_____
Consider the following:			
.1) State tax credits.	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.2) Taxpayer doing business in any new states.	_____	_____	_____
.3) Any unitary or consolidated filing requirements or opportunities.	_____	_____	_____
.4) Proper allocation of investment income.	_____	_____	_____
.5) Carryback claims.	_____	_____	_____
.6) Applicability of throw-back rule for "non-taxed" out of state sales.	_____	_____	_____
.7) Estimated taxes.	_____	_____	_____
.8) If appropriate, trace sales from allocation factor to sales tax returns.	_____	_____	_____
615) Extended returns:			
.1) Attach extension requests.	_____	_____	_____
.2) Verify that payments per extensions agree with tax returns.	_____	_____	_____
.3) If extension payment did not cover the full tax for the year, consider:			
(a) Adding interest to balance due.	_____	_____	_____
(b) Adding a statement disclosing reasonable cause to avoid the failure to pay penalty (§ 6651(a)(2)).	_____	_____	_____
616) Determine if there have been any non-dividend distributions (Form 5452).	_____	_____	_____
617) Information returns:			
.1) Consider magnetic media requirements for Forms 1099 and W-2.	_____	_____	_____
.2) Determine whether the corporation has filed all required information returns (1098 and 1099 series) and whether the personal use portion of employer property and 401(k) deferred compensation information has been included in employees' W-2s.	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.3) Consider additional items subject to employer FICA such as 401(k) deferrals, employer-provided excess group-term life insurance, all cash tips, etc.	_____	_____	_____
618) Inquire if the corporation has updated the corporate minute book.	_____	_____	_____
619) Advise the corporation that any unpaid retirement plan contribution for the year must be made before the due date of the return including extension.	_____	_____	_____
620) Determine that the required 5500 series returns have been filed for retirement plans covered by this period.	_____	_____	_____
621) Determine that Form 5500 has been filed for welfare benefit plans (e.g. medical benefit plans, life insurance, disability or death benefit plans) that have more than 100 participants.	_____	_____	_____
622) Compare taxable income to any projections for reasonableness.	_____	_____	_____
623) Determine that related party transactions are reported on all appropriate returns.	_____	_____	_____
624) Determine that salary and other transactions between corporation and officers/shareholders are properly recorded on each return.	_____	_____	_____
625) If the corporation is a member of a partnership, determine if § 465 at risk and/or § 704(d) basis rules apply.	_____	_____	_____
626) If the corporation sells an interest in a partnership that has § 751(a) assets, attach the required statement under Reg. 1.751-1(a)(3).	_____	_____	_____
627) If a distribution or technical termination has occurred in a partnership in which the corporation is a partner, consider making a § 732(d) election.	_____	_____	_____
628) Consider informing client of possible need to file Form 8300 for certain payments received exceeding \$10,000. Note new rules in the final regulations under § 6050.	_____	_____	_____

C CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120

<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
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629) Note any tax planning suggestions.

_____	_____	_____
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COMMENTS OR EXPLANATIONS

ONE PAGE
S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>Done</u>	<u>N/A</u>		<u>Done</u>	<u>N/A</u>
GENERAL INFORMATION					
1. Update basic taxpayer information (addresses, shareholders, ID numbers, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	5. If required, passive income or losses from one or more activities separately reported on the K-1 schedules (see the Passive Activity Checklist).	<input type="checkbox"/>	<input type="checkbox"/>
2. Review prior year returns, workpapers, correspondence, audit results.	<input type="checkbox"/>	<input type="checkbox"/>			
3. Consider signed engagement letter.	<input type="checkbox"/>	<input type="checkbox"/>	DEDUCTIONS		
4. If computer generated return, review proforma for accuracy.	<input type="checkbox"/>	<input type="checkbox"/>	1. Consider uniform capitalization rules.	<input type="checkbox"/>	<input type="checkbox"/>
5. Consider any below-market-rate loan rules.	<input type="checkbox"/>	<input type="checkbox"/>	2. Identify nondeductible vacation pay accrual.	<input type="checkbox"/>	<input type="checkbox"/>
6. Determine officers' compensation.	<input type="checkbox"/>	<input type="checkbox"/>	3. Determine that fringe benefits for more than 2% shareholders are properly reported on W-2 and deducted.	<input type="checkbox"/>	<input type="checkbox"/>
7. If fiscal year retained, determine that Form 8716 timely filed and "required payments" made.	<input type="checkbox"/>	<input type="checkbox"/>	4. Inquire if travel and entertainment expenses substantiated by adequate records.	<input type="checkbox"/>	<input type="checkbox"/>
8. Consider method of accounting.	<input type="checkbox"/>	<input type="checkbox"/>	5. Limit deductions for meals and entertainment to 80%.	<input type="checkbox"/>	<input type="checkbox"/>
9. Consider recurring item exception election for accrual method taxpayers.	<input type="checkbox"/>	<input type="checkbox"/>	6. Consider the following for officers and shareholders:		
10. Review carryforwards.	<input type="checkbox"/>	<input type="checkbox"/>	Nondeductible officers' life insurance	<input type="checkbox"/>	<input type="checkbox"/>
			Limitation on losses, or accruals between related parties.	<input type="checkbox"/>	<input type="checkbox"/>
INCOME					
1. Compare portfolio income with prior year.	<input type="checkbox"/>	<input type="checkbox"/>	7. Properly allocate interest expense.	<input type="checkbox"/>	<input type="checkbox"/>
2. Include only trade or business income on Page 1.	<input type="checkbox"/>	<input type="checkbox"/>	8. Limit interest incurred to purchase or carry market discount bonds or short-term debt obligations.	<input type="checkbox"/>	<input type="checkbox"/>
3. If any dispositions of fixed assets, consider gains, losses and recaptures.	<input type="checkbox"/>	<input type="checkbox"/>	9. Limit retirement contributions to allowable amount.	<input type="checkbox"/>	<input type="checkbox"/>
4. Consider the following:			10. Properly report expenses allocable to portfolio income on Schedules K and K-1 and not deducted on page 1.	<input type="checkbox"/>	<input type="checkbox"/>
Wash sales	<input type="checkbox"/>	<input type="checkbox"/>	11. Consider worthless securities or bad debts.	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary income on market discount bonds	<input type="checkbox"/>	<input type="checkbox"/>			
Installment sales	<input type="checkbox"/>	<input type="checkbox"/>			
Sales or exchanges between the corporation and shareholder	<input type="checkbox"/>	<input type="checkbox"/>			
At risk rules	<input type="checkbox"/>	<input type="checkbox"/>			
Discharge of indebtedness	<input type="checkbox"/>	<input type="checkbox"/>			

ONE PAGE
S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1040

Done N/A

Done N/A

DEPRECIATION

1. Consider the following:

- § 179 election. ☐ ☐
- Requirements relating to listed property. ☐ ☐
- Determine if leases are operating leases or capital leases. ☐ ☐

2. Compute AMT depreciation. ☐ ☐

TAX COMPUTATION

Compute the following:

- Tax on excess net passive income. ☐ ☐
- Tax on built-in gain. ☐ ☐
- ITC recapture tax. ☐ ☐
- Estimated federal and state tax payments. ☐ ☐

Determine proper reporting if distributions exceed accumulated adjustment account.

☐ ☐

Determine that gains are recognized and allocated to each shareholder for distribution of appreciated property.

☐ ☐

K-1 INFORMATION

1. Properly reflect shareholders' shares of tax credit information.

☐ ☐

2. Segregate and report tax preference and adjustment items.

☐ ☐

3. Determine that information relating to interest expense on debt-financed distributions has been provided.

☐ ☐

OTHER

SHAREHOLDER INFORMATION

Note tax planning suggestions.

☐ ☐

1. Shareholder allocation/limitation:

Determine that income, deductions, and credits are allocated to the shareholders on a per-share, per-day basis.

☐ ☐

If termination occurred, consider specific cut off.

☐ ☐

Attach shareholder consent and statement of election. (Temp. Reg. 18.1377-1)

☐ ☐

2. Shareholder distribution/basis computations:

Determine that equity increases and decreases (Schedule M) are properly segregated among:

- Accumulated adjustment account. ☐ ☐
- Other adjustments account. ☐ ☐
- Shareholders undistributed PTI. ☐ ☐

SHORT VERSION
S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
100) GENERAL INFORMATION			
101) Review and update basic taxpayer information (addresses, shareholders, identification numbers, etc.)	_____	_____	_____
102) List the name, address and identifying number of the "Tax Matters" person (if subject to consolidated audit procedures).	_____	_____	_____
103) Review prior year returns, workpapers, etc.	_____	_____	_____
104) Obtain information concerning any IRS, state tax audit, and/or any correspondence.	_____	_____	_____
105) Consider signed engagement letter.	_____	_____	_____
106) Inquire whether the S corporation has made or received any below-market-rate loans. If so, determine imputed interest consequences.	_____	_____	_____
107) Determine officers' compensation and review for reasonableness.	_____	_____	_____
108) If the corporation has selected an allowable fiscal tax year, determine that Form 8716 has been timely filed, and that "required payments" have been made.	_____	_____	_____
109) If computer generated return, review proforma for accuracy.	_____	_____	_____
110) Determine method of accounting.	_____	_____	_____
111) Review and update schedules for carryforward items.	_____	_____	_____
200) INCOME			
201) Compare sources and amounts of portfolio income with prior year.	_____	_____	_____

SHORT VERSION
S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
202) Determine that only trade or business (e.g., not portfolio or rental) income is shown on Page 1 of Form 1120S.	_____	_____	_____
203) Report rental real estate activities on Form 8825.	_____	_____	_____
204) Review dispositions of fixed assets and consider gains, losses and recaptures.	_____	_____	_____
205) Consider the following:			
.1) Wash sales.	_____	_____	_____
.2) Ordinary income on market discount bonds.	_____	_____	_____
.3) Sales or exchanges between the corporation and shareholder.	_____	_____	_____
.4) Worthless securities.	_____	_____	_____
.5) At risk rules.	_____	_____	_____
.6) Installment sales.	_____	_____	_____
.7) Discharge of indebtedness.	_____	_____	_____
206) If the S corporation has passive income or losses from one or more activities, they may be required to be separately reported on the schedule K-1 (see the Passive Activity Checklist).	_____	_____	_____
300) DEDUCTIONS			
301) Consider the uniform capitalization rules.	_____	_____	_____
302) Identify any nondeductible vacation pay accrual.	_____	_____	_____
303) Inquire whether the S corporation can substantiate by adequate records, as required under § 274, expenses claimed for entertainment, entertainment facilities, gifts, travel, conventions. Consider optional per diem method. (Rev. Proc. 90-15)	_____	_____	_____
304) Limit deduction for meals and entertainment to 80%. Consider exceptions.	_____	_____	_____
305) Officers and shareholders:			
.1) Identify expenses, including interest if applicable, for officers' life insurance which are non deductible.	_____	_____	_____

SHORT VERSION
S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.2) Determine limitation on any losses or accruals of expenses during the year between related corporations/shareholders under § 267(a)(1).	_____	_____	_____
306) Verify that the proper allocations have been made dividing interest expense among various types of expenditures.	_____	_____	_____
307) Determine if interest deduction limitations apply to interest incurred to purchase or carry market discount bonds or short-term debt obligations.	_____	_____	_____
308) Determine that retirement plan contributions are made timely and within allowable limits.	_____	_____	_____
309) Determine that fringe benefits for more than 2% shareholders have been reported on the recipient shareholders' W-2s (usually non FICA wages) and claimed as a deduction by the S corporation.	_____	_____	_____
310) Determine that expenses allocable to portfolio income have not been deducted on Page 1.	_____	_____	_____
311) Determine that specific charge off method is used for bad debts.	_____	_____	_____
400) DEPRECIATION			
401) Consider all depreciation requirements and options including:			
.1) § 179 election.	_____	_____	_____
.2) Requirements relating to listed property.	_____	_____	_____
.3) Determine whether leases are operating leases or capital leases.	_____	_____	_____
402) Consider AMT depreciation.	_____	_____	_____
500) TAX COMPUTATION			
501) Consider tax on excess net passive income.	_____	_____	_____
502) Consider tax on built-in gain.	_____	_____	_____

SHORT VERSION
S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
503) Consider ITC recapture.	_____	_____	_____
504) Determine amount of federal and state estimated tax payments made.	_____	_____	_____
505) Consider requirement for federal and state estimated payments for subsequent period.	_____	_____	_____
600) SHAREHOLDER INFORMATION			
601) Shareholder allocation/limitation:			
.1) Determine that items of income, deductions, credits, etc. are allocated to the shareholder on a per-share, per-day basis.	_____	_____	_____
.2) If stock transfers occurred during the year resulting in a termination of a shareholder's interest, consider allocations based on time of actual occurrence. Attach the shareholder consent and statement of election (Temp. Reg. §18.1377-1).	_____	_____	_____
602) Shareholder distribution/basis computations:			
.1) Determine that equity increases and decreases (Schedule M) are properly segregated between:			
(a) Accumulated adjustment account.	_____	_____	_____
(b) Other adjustments account.	_____	_____	_____
(c) Shareholders' undistributed PTI.	_____	_____	_____
.2) Determine that distributions exceeding accumulated adjustment account for S corporations with earnings and profits from C or pre-1983 S years are reported (Form 1099-DIV) to shareholders as dividends to the extent of accumulated earnings and profits.	_____	_____	_____
.3) For distributions of appreciated property, determine that gain is recognized and allocated to each shareholder.	_____	_____	_____

SHORT VERSION
S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
700) K-1 INFORMATION			
701) Provide credit information to each shareholder.	_____	_____	_____
702) Segregate all tax preference and adjustment items and report on the appropriate lines.	_____	_____	_____
703) Determine that information relating to interest expense of debt-financed distributions to shareholders has been provided. (Notice 89-35)	_____	_____	_____
800) OTHER REQUIREMENTS			
801) Compare taxable income to any projections.	_____	_____	_____
802) Consider elections such as:			
.1) Amortization of organization expense.	_____	_____	_____
.2) Amortization of business start up costs.	_____	_____	_____
.3) Exception from economic performance for recurring items.	_____	_____	_____
.4) Ratable accrual of real property taxes.	_____	_____	_____
803) Note any tax planning suggestions.	_____	_____	_____

COMMENTS OR EXPLANATIONS

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
100) GENERAL INFORMATION			
101) Review S corporation's and shareholders' names, addresses, and other identifying information.	_____	_____	_____
102) List the name, address and identifying number of the "Tax Matters" person (if subject to the consolidated audit procedures). TMP must be a shareholder.	_____	_____	_____
103) Consider signed engagement letter.	_____	_____	_____
104) Review prior year returns, memos, workpapers, carryovers and correspondence files.	_____	_____	_____
105) If computer generated return, review proforma for accuracy.	_____	_____	_____
106) If the S corporation has been examined by the Internal Revenue Service or state:			
.1) Obtain copies of the revenue agent's reports.	_____	_____	_____
.2) Determine that the agent's adjustments have been entered on the S corporation's records.	_____	_____	_____
.3) If any of the agent's adjustments affect federal or state income tax returns of years other than those audited, consider filing amended returns.	_____	_____	_____
.4) Determine whether amended state returns should be or are required to be filed to reflect federal audit adjustments.	_____	_____	_____
107) Inquire whether the S corporation has made or received any below-market-rate loans. If so, determine imputed interest consequences and existence of properly executed note.	_____	_____	_____
108) Determine officers' and related taxpayers' compensation and review for reasonableness.	_____	_____	_____
109) Election/revocation/termination of S status:			

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.1) If S status was <u>elected</u> during the current year:			
(a) Confirm that IRS (and state if applicable) approval of the election has been received and is in effect for the current year.	_____	_____	_____
(b) Consider scheduling potential "built-in" gains at date of election.	_____	_____	_____
.2) If the S status was <u>revoked</u> during the current year:			
(a) Confirm that a revocation election was properly filed.	_____	_____	_____
(b) Determine whether the revocation is effective for the entire year (if filed within the first 2 1/2 months of the year) or prospectively.	_____	_____	_____
.3) Events terminating S status:			
(a) Determine that no disqualifying event has occurred related to excess number of shareholders, prohibited type of shareholder, activation of a subsidiary or issuance of a second class of stock (consider new regulations).	_____	_____	_____
(b) Determine that termination is not triggered by excess passive income for three consecutive years if corporation has accumulated earnings and profits from "C" years.	_____	_____	_____
.4) If S status was <u>terminated</u> or revoked during the year:			
(a) Verify allocation method - per day basis or actual. More than 50% cumulative change in stock ownership requires actual. If using actual, match the election and the shareholders' consent.	_____	_____	_____
(b) Consider C corporation estimated tax payments for the succeeding year based on the C corporation's net income.	_____	_____	_____
(c) Consider requesting relief under the Inadvertent Termination Rule under § 1362(f).	_____	_____	_____

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
110) If the corporation has selected an allowable fiscal tax year, determine that Form 8716 has been timely filed, and that "required payments" have been made. Note that a copy of form 8716 must be attached to form 1120S for the first taxable year for which the election is made.	_____	_____	_____
111) Determine that accounting methods are comparable to the preceding year unless changes are approved or required.	_____	_____	_____
112) Review and update, schedules for carryover items such as:			
.1) Installment sales.	_____	_____	_____
.2) Changes in accounting methods requiring § 481 adjustments.	_____	_____	_____
.3) Suspended losses due to at-risk limitations.	_____	_____	_____
.4) Compare losses to basis limitations to determine deductibility of losses; update basis schedules accordingly.	_____	_____	_____
.5) Net unrealized built-in gain.	_____	_____	_____
 200) INCOME			
201) Determine that installment sales are reported properly.	_____	_____	_____
.1) Determine that the full amount of depreciation recapture is reported in the year of sale whether or not payment was received in that year.	_____	_____	_____
.2) Review for adequate stated interest on debt instruments received in connection with the sale. Determine whether original issue discount or unstated interest rules require restatement of note interest and principal.	_____	_____	_____
.3) Determine if the taxpayer is a "dealer" with respect to the related property. If so:			
(a) Determine that the installment method is <u>not</u> used to report post December 31, 1987 sales of dealer property. (Exceptions - farm property, certain timeshare rights and residential lots if proper election is made.)	_____	_____	_____

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
(b) Determine that the interest owed as a result of an election in (a) above is properly reported. Note that interest calculation is made at shareholder level.	_____	_____	_____
.4) Consider special rules for installment reporting by certain non-dealers of real (post 1986 sales) or personal property (post 1988 sales) where the sales price exceeds \$150,000 (§ 453A). (Does not apply to certain farm property.)	_____	_____	_____
(a) Compute the interest charge imposed on outstanding tax deferred installment obligations if the face amount of these obligations that arose during, and are still outstanding at the close of the tax year exceeds \$5,000,000. Note that the \$5,000,000 threshold test and interest calculation are done at the shareholder level. (IRS announcement 89-33)	_____	_____	_____
(b) Determine that the proper amount is treated as a collection on any pledged installment obligation.	_____	_____	_____
.5) Consider election out of installment method.	_____	_____	_____
202) Deferred income and expenses:			
.1) Include in gross income, as appropriate, income deferred for books in the current year.	_____	_____	_____
.2) Exclude from gross income, as appropriate, income for books in the current year that was taken into income for tax in a prior year.	_____	_____	_____
.3) Determine deductibility of prepaid expenses.	_____	_____	_____
203) Examine fixed assets for any dispositions:			
.1) Reconcile to depreciation schedule.	_____	_____	_____
.2) Determine that related gains and losses are properly characterized.	_____	_____	_____
(a) Ordinary, § 1231, capital.	_____	_____	_____
(b) Long term, short term.	_____	_____	_____

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.3) If property was sold, exchanged or involuntarily converted during the year, consider the provisions related to:			
(a) Non-recognition of gain or loss. (Form 8824)	_____	_____	_____
(b) Rules for like-kind exchanges with related parties.	_____	_____	_____
(c) Recapture of depreciation and/or investment tax credit, or reduction of ITC carryforward.	_____	_____	_____
204) Review application of the wash sale rules.	_____	_____	_____
205) Determine if any sale of securities settled after year end, with a trade date within current year, are reported this year. Note special rules for short sales in § 1233.	_____	_____	_____
206) Determine holding period and federal and state tax basis of property sold.	_____	_____	_____
207) Passive activities (see Passive Activity Checklist):			
.1) Consider passive activity elections.	_____	_____	_____
.2) Determine if any pass-through entity in which the corporation has an interest has made an election to separate activities.	_____	_____	_____
.3) Consider need to report passive activities separately on Schedules K-1.	_____	_____	_____
208) Determine that specific write-off method is used for bad debts.	_____	_____	_____
209) Report rental real estate activities on Form 8825.	_____	_____	_____
210) For leased vehicles and property, calculate the appropriate income to be reported by referring to the IRS tables.	_____	_____	_____
211) Determine if there is any income from discharge of indebtedness. If so, consider exclusion under § 108.	_____	_____	_____

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
300) DEDUCTIONS			
301) Review the taxpayer's vacation pay policy to determine if a deduction is allowable on the accrual basis (vested at year end and paid within two and one-half months after year end.)	_____	_____	_____
302) Consider applicability of uniform capitalization rules to resellers with annual gross receipts in excess of \$10,000,000 and all producers of property.	_____	_____	_____
.1) Determine that all costs are included.	_____	_____	_____
.2) Consider interest capitalization rules for debt incurred to produce property.	_____	_____	_____
.3) If the beginning inventory is revalued:			
(a) Ascertain the amount of adjustment required for the beginning inventory due to the change in method of accounting (§ 481).	_____	_____	_____
(b) Ascertain § 481 forward spread period (not to exceed four years).	_____	_____	_____
(c) Determine that Form 3115 and the § 263A checklist are attached to the tax return in the year of change. (Notice 88-92)	_____	_____	_____
(d) Consider electing "simplified" methods.	_____	_____	_____
.4) For farmers and ranchers consider:			
(a) One-time election out of uniform capitalization rules if election was not required in a prior year.	_____	_____	_____
(b) The exemption for expenses incurred in the production of animals.	_____	_____	_____
.5) Review the definition of "producer". (Reg. 1.263A-1T(a)(5)(ii))	_____	_____	_____
303) For long-term contracts entered into after February 28, 1986:			

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.1) Determine that taxpayers reporting under the completed-contract method recognize the appropriate amount of related income on the percentage-of-completion method. NOTE: The completed contract method is repealed for most contracts entered into after 7-10-89.	_____	_____	_____
.2) Consider modifications to the percentage-of-completion method:			
(a) Completion percentage based on costs, not work performed.	_____	_____	_____
(b) The expanded requirement to capitalize costs similar to uniform capitalization rules.	_____	_____	_____
(c) The requirement to compare prior year estimate inaccuracies with actual costs at completion of the contract and pay/claim interest on related change to prior year taxes ("Look-Back Rule") (Form 8697)	_____	_____	_____
(d) Contract aggregation rules.	_____	_____	_____
(e) Option to "automatically" change to percentage of completion.	_____	_____	_____
(f) Related party rules.	_____	_____	_____
.3) Consider 10% "de minimis" rule.	_____	_____	_____
.4) Consider simplified method.	_____	_____	_____
304) For charitable contributions:			
.1) Determine that all contributions are to qualified charitable organizations.	_____	_____	_____
.2) Consider the limitation related to contributions of appreciated ordinary income property.	_____	_____	_____
.3) Consider the deduction for more than cost of appreciated capital gains property.	_____	_____	_____

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.4) Ascertain that minutes document authorization before year end for accrued charitable contributions, and contributions are paid within 2 1/2 months after year end. An election statement and a certified copy of the minutes should be attached to the return.	_____	_____	_____
.5) Determine if Form 8283 is required for non-cash gifts.	_____	_____	_____
305) Determine that fringe benefits for more than 2% shareholders have been reported on the recipient shareholders' W-2s as wages subject to income tax and claimed as deduction by the S corporation. (Not FICA wages in most cases.)	_____	_____	_____
306) Inquire whether the S corporation can substantiate by adequate records, as required under § 274, expenses claimed for entertainment, entertainment facilities, gifts, travel and conventions. Consider optional per diem method. (Rev. Proc. 90-15)	_____	_____	_____
307) Limit deduction for meals and entertainment to 80%. Consider exceptions.	_____	_____	_____
308) Determine if interest deduction limitations apply to interest incurred to purchase or carry market discount bonds or short-term debt obligations.	_____	_____	_____
309) If taxpayer maintains a profit sharing plan and has not contributed the maximum contribution for each taxable year beginning prior to 1987, calculate the unfunded contribution carryover amount.	_____	_____	_____
310) Determine if any securities held by the S corporation became worthless during the year.	_____	_____	_____
311) Officers and shareholders:			
.1) Identify expenses for officers' life insurance which are non-deductible.	_____	_____	_____
.2) Determine limitation on any losses during the year between related corporations/shareholders under § 267(a)(1).	_____	_____	_____

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.3) If there were any accruals of interest, compensation or other expenses payable to a shareholder, determine that for tax purposes the deduction is deferred until the year in which it is includable in income of the shareholder.	_____	_____	_____
312) Other interest considerations.	_____	_____	_____
.1) Treat amortizable bond premium (for bonds acquired after 1987) as an offset to interest income.	_____	_____	_____
.2) Eliminate interest expense on debts with respect to life insurance policies (purchased after June 20, 1986) on beneficial owners and key employees to the extent that the total of such loans exceeds \$50,000.	_____	_____	_____
313) Consider limitations on deducting expenses related to federally tax exempt income. Note that these expenses may be deductible at the state level if income is state taxable.	_____	_____	_____
400) DEPRECIATION			
401) Consider various depreciation methods and lives.			
.1) Consider § 179 election to expense qualifying assets. Note proposed amendments to the regulations.	_____	_____	_____
.2) For acquisitions after December 31, 1986, determine the MACRS life for each asset placed in service and appropriate depreciation method. (See Rev. Procs. 87-56 and 88-22).	_____	_____	_____
.3) Determine the applicable convention (e.g. half-year, mid-quarter).	_____	_____	_____
.4) For leasehold improvements made after December 31, 1986, determine that the cost is being recovered over the applicable recovery period, regardless of the lease period.	_____	_____	_____
.5) Consider electing the alternative depreciation system (ADS, 150% or SL) for property placed in service during the year.	_____	_____	_____
.6) If a short year, determine that Rev. Proc. 89-15 is followed.	_____	_____	_____

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.7) Consider depreciation limitations for IDB financed property, and certified historic structures for which a tax credit was taken.	_____	_____	_____
.8) For farming, determine that MACRS is applied using 150% DB. Note-ADS-SL is required if elected out of § 263A.	_____	_____	_____
.9) If there has been a purchase price adjustment. (Prop. Reg. § 1.168-2)(d)(3)	_____	_____	_____
.10) If property is leased to a tax exempt entity, consider the possible need to use the Alternative Depreciation System (ADS).	_____	_____	_____
402) Make adjustments for depreciable assets which are demolished, obsolete, abandoned and/or out of service. Consider investment credit recapture.	_____	_____	_____
403) For listed property (e.g., cellular phones, autos, computers, airplanes, boats):			
.1) For autos, consider the maximum allowable under the luxury auto rules.	_____	_____	_____
.2) For autos, determine limitation if the business usage is 50% or less.	_____	_____	_____
.3) Determine limitations for all other mixed-use property, if the business usage is 50% or less.	_____	_____	_____
.4) Inquire if the taxpayer has kept the required records indicating the business and personal use of property.	_____	_____	_____
.5) Determine recapture if the business usage is 50% or less.	_____	_____	_____
404) Determine if property/equipment leases are operating leases or capital leases.	_____	_____	_____
405) Form 4562 (if required):			
.1) Reconcile depreciation expense to supporting schedules.	_____	_____	_____
.2) Complete all questions regarding personal use of listed property.	_____	_____	_____

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.3) Determine that all amortizable items are separately stated and the proper Code section cited.	_____	_____	_____
406) Consider tax preference depreciation and depreciation adjustments.	_____	_____	_____
407) Consider anti-churning rules.	_____	_____	_____
500) TAX COMPUTATION			
501) Tax on excess net passive income:			
.1) Determine if passive investment income is greater than 25% of gross receipts and the S corporation has earnings and profits from any C years.	_____	_____	_____
.2) Consider election to designate distributions as deemed out of earnings and profits. (§ 1368(e)(3))	_____	_____	_____
502) Tax on "built-in" gains - applies to prior C corporations that filed S status election subsequent to 1986. Consider the following:			
.1) Compute tax at maximum corporate rate for the net recognized gains for the taxable years (not to exceed Subchapter C taxable income as adjusted) on the disposition of assets. (§ 1374)	_____	_____	_____
.2) If S election was made after March 30, 1988, determine built-in gain carryover, if applicable.	_____	_____	_____
.3) Gasoline and special fuel credits as well as the following carryforwards from C years may be used to reduce built-in gains tax:			
(a) Net operating loss.	_____	_____	_____
(b) Capital losses.	_____	_____	_____
(c) Business credits.	_____	_____	_____
(d) Minimum tax credits.	_____	_____	_____
503) Consider tax on LIFO recapture for C corporations electing S status.	_____	_____	_____

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
504) Consider tax payable by the corporation from recomputing a prior year investment tax credit as a result of the early disposition of assets acquired in C corporation years.	<hr/>	<hr/>	<hr/>
505) Consider federal and state estimated tax requirements.	<hr/>	<hr/>	<hr/>
600) SHAREHOLDER INFORMATION			
601) Shareholder allocation/limitation:			
.1) Determine that items of income, deductions, credits, etc. are allocated to the shareholders on a per-share, per-day basis.	<hr/>	<hr/>	<hr/>
.2) If stock transfers occurred during the year which resulted in a termination of a shareholder's interest, consider allocations based on time of actual occurrence. Attach the shareholder consent and statement of election. (Temp. Reg. 18.1377-1)	<hr/>	<hr/>	<hr/>
602) Shareholder distribution/basis computations:			
.1) Determine that equity increases and decreases (Schedule M) are properly segregated among:			
(a) Accumulated adjustment account.	<hr/>	<hr/>	<hr/>
(b) Other adjustment account.	<hr/>	<hr/>	<hr/>
(c) Shareholders undistributed PTL.	<hr/>	<hr/>	<hr/>
.2) Determine that distributions exceeding accumulated adjustment account for S corporations with earnings and profits from C or pre-1983 S years are reported (Form 1099-DIV) to shareholders as dividends to the extent of accumulated earnings and profits.	<hr/>	<hr/>	<hr/>
.3) Determine that gain is recognized and allocated to each shareholder for distribution of appreciated property.	<hr/>	<hr/>	<hr/>

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
700) K-1 INFORMATION			
701) Determine that proper reporting and separate stating have been provided for all appropriate items such as:			
.1) Ordinary trade or business income.	_____	_____	_____
.2) Rental activities.	_____	_____	_____
.3) Portfolio income and related deductions.	_____	_____	_____
.4) Passive activity data (note elections).	_____	_____	_____
.5) All items that affect shareholder basis calculations (e.g. nondeductible items).	_____	_____	_____
.6) Charitable contributions including copy of Form 8283 when required.	_____	_____	_____
.7) Shareholder loan repayments.	_____	_____	_____
.8) Distributions.	_____	_____	_____
.9) At risk information.	_____	_____	_____
.10) Credit information.	_____	_____	_____
.11) Interest incurred in the production of property that may have to be capitalized at the shareholder level (Notice 88-99).	_____	_____	_____
702) Segregate all tax preference and adjustment items and report on the appropriate lines.	_____	_____	_____
703) Prepare schedules that reflect each shareholder's share of property subject to investment credit recapture.	_____	_____	_____
704) Determine that information relating to interest expense on debt-financed distributions to shareholders has been provided. (Notice 89-35)	_____	_____	_____

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
800) OTHER REQUIREMENTS			
801) Consider elections and statements such as:			
.1) Election to amortize organization expense.	_____	_____	_____
.2) Election to amortize business start-up costs.	_____	_____	_____
.3) Cash vs. accrual method.	_____	_____	_____
.4) Election to expense intangible drilling costs.	_____	_____	_____
.5) Section 351, statement of transferred assets, where applicable.	_____	_____	_____
.6) LIFO election.	_____	_____	_____
.7) Research and experimental cost election.	_____	_____	_____
.8) Exception from economic performance for recurring items. Under final regulations, the election is made by accounting for items under the recurring method on a timely filed 1992 tax return.	_____	_____	_____
.9) If a distribution or technical termination has occurred in a partnership consider making a § 732(d) election.	_____	_____	_____
.10) For real property taxes, determine if a § 461(c) election to accrue ratably is more beneficial than adopting the recurring item exception. (Rev. Proc. 92-28)	_____	_____	_____
802) Cross reference the following items:			
.1) Schedule L beginning balances to prior year's ending balances.	_____	_____	_____
.2) Schedule M beginning equity accounts to prior year's ending balance.	_____	_____	_____
.3) Detail listings of Schedule L beginning balances to prior year's detail listings of ending balances.	_____	_____	_____
803) If the corporation has made an "applicable asset acquisition" (transfer of assets that constitute a trade or business), determine that applicable reporting requirements regarding allocation of purchase price have been met. (Form 8594)	_____	_____	_____

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
804) Determine that book/tax accounting method differences related to Schedule M are documented in the workpaper files.	_____	_____	_____
805) Consider § 6662 that provides a 20% penalty for understatement of tax liability. If this penalty could result from any income, deduction, loss or credit item, then:			
.1) Consider if substantial authority exists for the item in question. If not, consider disclosure (Form 8275 or 8275R).	_____	_____	_____
.2) Consider advising the taxpayer, in writing, of the penalty.	_____	_____	_____
806) Consider state and local tax filing requirements such as:			
.1) Recognition of "S" status.	_____	_____	_____
.2) State modification requirements.	_____	_____	_____
.3) State withholding requirements on income allocated to non-resident shareholders.	_____	_____	_____
.4) Information to allow shareholder to file the necessary state tax returns.	_____	_____	_____
807) Attach extensions to tax returns.	_____	_____	_____
808) Complete and attach Form 5452 to report nondividend distribution (i.e., distributions in excess of earnings and profits.)	_____	_____	_____
809) Inquire if the corporate minutes book has been updated.	_____	_____	_____
810) Determine that the required forms have been filed for retirement plans covered by this period.	_____	_____	_____
811) Advise the S corporation that a retirement plan contribution must be made before the due date of the return including extension.	_____	_____	_____
812) Information returns:			
.1) Determine whether the S corporation has filed all the information returns (1098 and 1099 series) and whether the personal use portion of employer property and 401(k) deferred compensation information has been included in employees' W-2s.	_____	_____	_____

S CORPORATION INCOME TAX RETURN CHECKLIST
1992 - FORM 1120S

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.2) Consider magnetic media filing requirements for 1099s and W-2s.	_____	_____	_____
.3) Consider additional items subject to employer FICA such as 401(k) deferrals, employer provided excess group term life insurance, all cash tips, etc.	_____	_____	_____
813) Compare taxable income to any projections for reasonableness.	_____	_____	_____
814) Determine that related party transactions are reported on all appropriate returns.	_____	_____	_____
815) Consider informing client of possible need to file Form 8300 for certain payments received exceeding \$10,000. Note new rules in final regulations under § 6050.	_____	_____	_____
816) If the S corporation is a partner in a partnership, determine if § 465 at risk, and/or § 704(d) basis rules apply.	_____	_____	_____
817) If the corporation sells an interest in a partnership that has § 751(a) assets, attach the required statement under Reg. 1.751-1(a)(3).	_____	_____	_____
818) Note any tax planning suggestions.	_____	_____	_____

COMMENTS OR EXPLANATIONS

EMPLOYEE BENEFIT PLAN RETURN/REPORT CHECKLIST
1992 - FORM 5500 SERIES

Client Name and Number: _____

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
100) GENERAL INFORMATION			
101) Verify if the current plan document is on file. Note the date of the latest amendment to the plan and the date of the latest plan document restatement.	_____	_____	_____
102) Review the accuracy of the plan sponsor/employer name, address, plan year, identification number, telephone number, business code, and CUSIP number.	_____	_____	_____
103) Review the accuracy of the name, address, identification number and telephone number of the plan administrator if they are different from those of the plan sponsor.	_____	_____	_____
104) Review prior year returns, review memos, work papers and correspondence files.	_____	_____	_____
105) If the plan sponsor has changed its tax year-end, determine if the plan year has been, or should be, changed to correspond to the sponsor's new tax year.	_____	_____	_____
106) Determine if the employer is a member of a controlled group of corporations or a member of a group of businesses under common control to identify the reports required.	_____	_____	_____
107) Determine if the plan is subject to the multiemployer or multiple-employer plan filing requirements.	_____	_____	_____
108) Review the plan document or summary plan description to identify benefits provided by or allowed under the plan, i.e. welfare benefits (medical, dental, disability, severance pay, life insurance), fringe benefits (group legal, cafeteria, educational assistance), or pension benefits [defined benefit or defined contribution (profit sharing, stock bonus, target benefit, money purchase plans)], participant-directed account plans, master trust, or cash or deferred arrangements (401(k) plans).	_____	_____	_____

EMPLOYEE BENEFIT PLAN RETURN/REPORT CHECKLIST
1992 - FORM 5500 SERIES

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
109) If the plan is a pension benefit plan and has been examined by the Internal Revenue Service:			
.1) Obtain copies of the revenue agent's reports.	_____	_____	_____
.2) Verify that the agent's adjustments have been entered on the plan's records.	_____	_____	_____
.3) If any of the agent's adjustments affect the sponsor's income tax returns for years other than those audited, make appropriate amendments.	_____	_____	_____
110) Verify that plan documents and amendments were signed and approved by proper persons, noting signature date.	_____	_____	_____
111) Verify that a copy of IRS determination letter (if applicable) is on file. Determine whether any plan amendments have been adopted since the date of the latest determination letter.	_____	_____	_____
112) Review plan name, effective date, plan number; determine if the plan name as shown on the plan document is the same as shown on Form 5500 for the prior year.	_____	_____	_____
113) Inquire if administrator of a pension benefit plan has a file of beneficiary designations and participant and spousal consent forms for benefit options. (Code § 417(e))	_____	_____	_____
114) Determine whether there are any reporting requirements for investment arrangements filing directly with the Department of Labor:			
.1) Common/Collective Trust or Pooled Separate Account.	_____	_____	_____
.2) Master Trust.	_____	_____	_____
.3) 103-12 Investment Entity.	_____	_____	_____
115) Determine if the plan is excluded from filing Form 5500 (e.g. fully insured or unfunded welfare benefit plans which cover fewer than 100 participants, unfunded pension benefit plans or unfunded or insured welfare benefit plans whose benefits go only to a select group of management and for which a notification has been filed with the Department of Labor, and unfunded excess benefit plans).	_____	_____	_____

EMPLOYEE BENEFIT PLAN RETURN/REPORT CHECKLIST
1992 - FORM 5500 SERIES

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
200) DETERMINE THE APPROPRIATE FORMS TO FILE			
201) Determine the number of participants as of the beginning of the plan year for which the return is being prepared and the prior plan year to determine whether a 5500, 5500-C/R or 5500-EZ is required.	_____	_____	_____
202) Determine if a Form 5500-R is appropriate for this plan year (generally it is appropriate if a 5500-C has been filed in either of the prior two years).	_____	_____	_____
203) Determine if this is the plan's first or final year. If so, Form 5500-R cannot be filed, and the appropriate boxes must be checked.	_____	_____	_____
204) Determine if additional forms are required or would be beneficial such as:			
.1) Schedule A - insurance information.	_____	_____	_____
.2) Schedule B - actuarial information.	_____	_____	_____
.3) Schedule C - service provider and trustee information.	_____	_____	_____
.4) Schedule E - ESOP annual information.	_____	_____	_____
.5) Schedule P - annual information return and statute of limitations.	_____	_____	_____
.6) Schedule SSA - separated participants with deferred vested benefits.	_____	_____	_____
205) Determine if other attachments are required, such as:			
.1) Extension of time to file.	_____	_____	_____
.2) Accountant's opinion, financial statements.	_____	_____	_____
206) Determine that Pension Benefit Guaranty Corporation Form 1 has been filed for a defined benefit pension plan.	_____	_____	_____
.1) Determine the appropriate plan year for which the filing is made (Form 1 is filed for the current year; Form 5500 for the preceding plan year).	_____	_____	_____

EMPLOYEE BENEFIT PLAN RETURN/REPORT CHECKLIST
1992 - FORM 5500 SERIES

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.2) Determine the due date for Form 1 and for installment premium payments.	_____	_____	_____
.3) Determine if plan is subject to variable rate premiums.	_____	_____	_____
300) SPECIFIC PLAN FEATURES			
301) Review the plan's § 410 coverage information. Determine that either the ratio percentage test or the average benefit test have been passed or else that an exception applies. Insert the appropriate employee information and, if the coverage test date is the last day of the plan year, make sure the figure for employees participating at the end of the plan year is consistent with the year-end participant figure in the participant census question. Assure that leased employees have been properly considered, and determine if separate line of business, aggregation, disaggregation, or restructuring rules apply.	_____	_____	_____
302) Determine if the plan contains a cash or deferred arrangement.	_____	_____	_____
303) Determine if the plan is integrated with social security or railroad retirement. If so, determine that permitted disparity requirements have been met.	_____	_____	_____
304) Determine the plan's funding arrangement and benefit arrangement and indicate the appropriate codes from the instructions.	_____	_____	_____
305) Determine if the plan was involved in a merger or consolidation into another plan or an asset or liability transfer during the plan year. If so, determine the name of the other plan(s) involved, the EI number of the sponsor(s) and the plan number(s), and make sure Form(s) 5310-A was filed.	_____	_____	_____
306) Determine if the plan was established pursuant to one or more collective bargaining agreements. If so, enter the appropriate six-digit LM number(s).	_____	_____	_____
307) Determine if the plan is subject to bonding requirements, and if so, the amount of any fidelity bond covering the plan and the name of the bonding surety company.	_____	_____	_____
308) Determine whether any person who rendered services to the plan received \$5000 or more in compensation from the plan during the plan year. If so, complete Schedule C, if required.	_____	_____	_____

EMPLOYEE BENEFIT PLAN RETURN/REPORT CHECKLIST
1992 - FORM 5500 SERIES

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
309) Determine whether any service provider was terminated during the plan year. If so, provide the necessary information on Schedule C.	_____	_____	_____
310) Determine whether the plan, during the plan year:			
.1) had assets held for investment.	_____	_____	_____
.2) had loans in default or that were considered uncollectible.	_____	_____	_____
.3) had leases that were in default or that were considered uncollectible.	_____	_____	_____
.4) had transactions or a series of transactions in excess of 5% of the current value of plan assets.	_____	_____	_____
.5) engaged in any nonexempt transactions with parties-in-interest.	_____	_____	_____
.6) held qualifying employer securities that are not publicly traded.	_____	_____	_____
If so, provide the necessary schedules of information as required by the instructions.	_____	_____	_____
311) Determine if the plan has been top-heavy at any time during the last five plan years.	_____	_____	_____
 400) REPORTING FINANCIAL ACTIVITY			
401) Prepare a reconciliation of contributions made to a qualified retirement plan, deductions claimed on the sponsor's income tax return, and contributions received by the plan according to the trustee's records.	_____	_____	_____
402) Funding issues:			
.1) Identify contributions made to a qualified retirement plan after the plan year end, but before the due date of the employer's income tax return, including extensions of time to file, which are designated as contributions for the plan year for which the return is being prepared.	_____	_____	_____

EMPLOYEE BENEFIT PLAN RETURN/REPORT CHECKLIST
1992 - FORM 5500 SERIES

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
.2) In the case of a defined benefit plan:			
(a) Review Schedule B and determine whether there is a funding deficiency. If so, advise the plan sponsor.	_____	_____	_____
(b) Confirm that the contributions shown on Schedule B correspond to the contributions made for the plan year.	_____	_____	_____
403) Prepare Form 5330 to pay excise tax if there is an accumulated funding deficiency or a nondeductible contribution to a qualified plan.	_____	_____	_____
404) Prepare a trial balance and record activity for the plan year using an accounting method consistent with the method used in maintaining the books and records of the plan. Adjust investments to fair market value at the plan year-end.	_____	_____	_____
405) Determine if the plan generates \$1,000 or more of unrelated business income and must file Form 990T. Inquire as to whether unrelated business income has been earned by a pass-through entity (partnership or trust) in which the plan has invested.	_____	_____	_____
406) Determine if there has been any reversion of plan assets to the employer. If so and if applicable, prepare Form 5330 to pay excise tax.	_____	_____	_____
407) Determine whether immediate distributions to plan participants and beneficiaries are in compliance with the \$3,500 <u>de minimis</u> rules of Code §§ 411(a)(11) and 417(e).	_____	_____	_____
408) Determine whether contributions made or benefits accrued during the plan year are in compliance with Code § 415 limits.	_____	_____	_____
409) Determine whether the plan has made distributions of benefits to participants and beneficiaries as prescribed by Code § 401(a)(9).	_____	_____	_____

EMPLOYEE BENEFIT PLAN RETURN/REPORT CHECKLIST
1992 - FORM 5500 SERIES

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
500) PENALTIES			
501) Determine the correct due date of the return. Failure to timely file a return is subject to a penalty of \$25 per day (up to \$15,000).	_____	_____	_____
502) Consider other applicable penalties, such as:			
.1) Failure to file a registration statement (Schedule SSA) (\$1 per day up to \$5,000).	_____	_____	_____
.2) Failure to file an actuarial statement (Schedule B) (\$1,000).	_____	_____	_____
.3) Failure to file a complete return, such as failure to complete all applicable information (up to \$1,000 per day).	_____	_____	_____
.4) Failure to report a change of plan status (\$1 per day up to \$1,000).	_____	_____	_____
600) OTHER REQUIREMENTS			
601) Discuss with the plan administrator how and when the appropriate summary annual report is to be distributed to the participants.	_____	_____	_____
602) Determine that summary plan description has been filed with the Department of Labor.	_____	_____	_____
603) Discuss with the plan administrator the availability of the current summary plan description and distribution to participants on a timely basis.	_____	_____	_____
604) Discuss with the plan administrator the preparation and distribution of the statements of participants' accrued benefits.	_____	_____	_____
605) Discuss with the plan administrator the preparation and distribution of statements of deferred vested benefits to separated employees.	_____	_____	_____

EMPLOYEE BENEFIT PLAN RETURN/REPORT CHECKLIST
1992 - FORM 5500 SERIES

	<u>DONE</u>	<u>N/A</u>	<u>COMMENTS OR EXPLANATION</u>
606) If the employer maintains a profit-sharing plan or stock bonus plan and has not made the maximum contribution for each year, calculate the unfunded pre-1987 contribution carryforward amount.	_____	_____	_____
607) In the case of a qualified plan with loan provisions, ascertain that all loans were made in accordance with plan provisions, and in particular were in compliance with:			
.1) the five year requirement;	_____	_____	_____
.2) the dollar limitations;	_____	_____	_____
.3) the quarterly amortization requirement; and	_____	_____	_____
.4) the spousal consent requirement, if applicable.	_____	_____	_____
608) Make certain that no plan loans were made to sole proprietors, certain shareholders or partners unless the nondiscrimination requirements are met. (Code § 4975)	_____	_____	_____
609) Determine if the plan is required to file information returns for distributions, retired pay or P.S. 58 costs (Form 1099R).	_____	_____	_____

COMMENTS OR EXPLANATIONS

Tax Return Positions

INTRODUCTION

.01 This statement sets forth the standards a CPA should follow in recommending tax return positions and in preparing or signing tax returns including claims for refunds. For this purpose, a "tax return position" is (1) a position reflected on the tax return as to which the client has been specifically advised by the CPA or (2) a position as to which the CPA has knowledge of all material facts, and on the basis of those facts, has concluded that the position is appropriate.

STATEMENT

.02 With respect to tax return positions, a CPA should comply with the following standards:

- a.* A CPA should not recommend to a client that a position be taken with respect to the tax treatment of any item on a return unless the CPA has a good faith belief that the position has a realistic possibility of being sustained administratively or judicially on its merits if challenged.
- b.* A CPA should not prepare or sign a return as an income tax return preparer if the CPA knows that the return takes a position that the CPA could not recommend under the standard expressed in paragraph .02*a*.
- c.* Notwithstanding paragraphs .02*a* and .02*b*, a CPA may recommend a position that the CPA concludes is not frivolous so long as the position is adequately disclosed on the return or claim for refund.
- d.* In recommending certain tax return positions and in signing a return on which a tax return position is taken, a CPA should, where relevant, advise the client as to the potential penalty consequences of the recommended tax return position and the opportunity, if any, to avoid such penalties through disclosure.

.03 The CPA should not recommend a tax return position that —

- a.* Exploits the Internal Revenue Service audit selection process; or
- b.* Serves as a mere "arguing" position advanced solely to obtain leverage in the bargaining process of settlement negotiation with the Internal Revenue Service.

.04 A CPA has both the right and responsibility to be an advocate for the client with respect to any positions satisfying the aforementioned standards.

EXPLANATION

.05 Our self-assessment tax system can only function effectively if taxpayers report their income on a tax return that is true, correct and complete. A tax return is primarily a taxpayer's representation of facts and the taxpayer has the final responsibility for positions taken on the return.

.06 CPAs have a duty to the tax system as well as to their clients. However, it is well-established that the taxpayer has no obligation to pay more taxes than are legally owed, and the CPA has a duty to the client to assist in achieving that result. The aforementioned standards will guide the CPA in meeting responsibilities to the tax system and to clients.

.07 The standards suggested herein require that a CPA in good faith believe that the position is warranted in existing law or can be supported by a good faith argument for an extension, modification, or reversal of existing law. For example, the CPA may reach such a conclusion on the basis of well-reasoned articles, treatises, IRS General Counsel Memoranda, a General Explanation of a Revenue Act prepared by the staff of the Joint Committee on Taxation, and Internal Revenue Service written determinations (for example, private letter rulings), whether or not such sources are treated as "authority" under section 6661. A position would meet these standards even though, for example, it is later abandoned because of practical or procedural aspects of an Internal Revenue Service administrative hearing or in the litigation process.

.08 Where the CPA has a good faith belief that more than one position meets the standards suggested herein, the CPA's advice concerning alternative acceptable positions may include a discussion of the likelihood that each such position might or might not cause the client's tax return to be examined and whether the position would be challenged in an examination.

.09 In some cases, a CPA may conclude that a position is not warranted under the standard set forth in the preceding paragraph, .02a. A client may, however, still wish to take such a tax return position. Under such circumstances, the client should have the opportunity to make such an assertion, and the CPA should be able to prepare and sign the return provided the position is adequately disclosed on the return or claim for refund and the position is not frivolous. A "frivolous position" is one which is knowingly advanced in bad faith and is patently improper.

.10 The CPA's determination of whether information is adequately disclosed by the client is based on the facts and circumstances of the particular case. No detailed rules have been formulated, for purposes of this statement, to prescribe the manner in which information should be disclosed.

.11 Where particular facts and circumstances lead the CPA to believe that a taxpayer penalty might be asserted, the CPA should so advise the client and should discuss with the client issues related to disclosure on the tax return. Although disclosure is not required if the position meets the standard in paragraph .02a, the CPA may nevertheless recommend that a client disclose a position. Disclosure should be considered when the CPA believes it would mitigate the likelihood of claims of taxpayer penalties under the Internal Revenue Code or would avoid the possible application of the six-year statutory period for assessment under section 6501(e). Although the CPA should advise the client with respect to disclosure, it is the client's responsibility to decide whether and how to disclose.

Realistic Possibility Standard

BACKGROUND

.01 In August 1988 the AICPA Tax Division issued revised Statements on Responsibilities in Tax Practice (SRTPs). The primary purpose of these advisory statements on appropriate standards of tax practice is educational. This interpretation does not have the force of authority contained in such regulations as Treasury Department Circular 230, or in preparer penalty provisions of the Internal Revenue Code.

.02 SRTP (1988 Rev.) No. 1, "Tax Return Positions," contains the standards a CPA should follow in recommending tax return positions and in preparing or signing tax returns and claims for refunds. In general, a CPA should have "a good faith belief that the [tax return] position [being recommended] has a realistic possibility of being sustained administratively or judicially on its merits if challenged" (see SRTP [1988 Rev.] No. 1, paragraph .02a). This is referred to here as the "realistic possibility standard." If a CPA concludes that a tax return position does not meet the realistic possibility standard, the CPA may still recommend the position to the client, or prepare and sign a return containing the position, if the position is not frivolous and is adequately disclosed on the tax return or claim for refund.

.03 A "frivolous" position is one that is knowingly advanced in bad faith and is patently improper (see SRTP [1988 Rev.] No. 1, paragraph .09). The CPA's determination of whether information is adequately disclosed on the client's tax return or claim for refund is based on the facts and circumstances of the particular case (see SRTP [1988 Rev.] No. 1, paragraph .10).

.04 If the CPA believes there is the possibility that a tax return position might result in penalties being asserted against the client, the CPA should so advise the client and should discuss with the

client the opportunity, if any, of avoiding such penalties through disclosure (see SRTP [1988 Rev.] No. 1, paragraph .11).

GENERAL INTERPRETATION

.05 To meet the realistic possibility standard, a CPA should have a good faith belief that the position is warranted in existing law or can be supported by a good faith argument for an extension, modification, or reversal of existing law through the administrative or judicial process. The CPA should have an honest belief that the position meets the realistic possibility standard. Such belief must be based on sound interpretations of the tax law. A CPA should not take into account the likelihood of audit or detection in determining whether this standard is met (see SRTP [1988 Rev.] No. 1, paragraph .03a).

.06 The realistic possibility standard cannot be expressed in terms of percentage odds. The realistic possibility standard is less stringent than the "substantial authority" and the "more likely than not" standards that apply under the Internal Revenue Code (the Code) to substantial understatements of liability by taxpayers. It is more strict than the "reasonable basis" standard that exists under regulations issued prior to the Revenue Reconciliation Act of 1989.

.07 In determining whether a tax return position meets the CPA's realistic possibility standard, a CPA may rely on authorities in addition to those evaluated in determining whether substantial authority exists. Accordingly, CPAs may rely on well-reasoned treatises, articles in recognized professional tax publications, and other reference tools and sources of tax analysis commonly used by tax advisors and return preparers.

.08 In determining whether a realistic possibility exists, the CPA should do all of the following:*

1. Establish relevant background facts.
2. Distill the appropriate questions from those facts.

*See Ray M. Sommerfeld, et al., *Tax Research Techniques*, 3d rev. ed. (New York: AICPA, 1989), which includes a discussion of this process.

3. Search for authoritative answers to those questions.
4. Resolve the questions by weighing the authorities uncovered by that search.
5. Arrive at a conclusion supported by the authorities.

.09 The CPA should consider the weight of each authority in order to conclude whether a position meets the realistic possibility standard. In determining the weight of an authority, the CPA should consider its persuasiveness, relevance, and source. Thus, the type of authority is a significant factor. Other important factors include whether the facts stated in the authority are distinguishable from those of the client and whether the authority contains an analysis of the issue or merely states a conclusion.

.10 The realistic possibility standard may be met despite the absence of certain types of authority. For example, a CPA may conclude that the realistic possibility standard is met regarding a position that is supported only by a well-reasoned construction of the applicable statutory provision.

.11 In determining whether the realistic possibility standard is met, the extent of research required is left to the judgment of the CPA based on all the facts and circumstances known to the CPA. The CPA may conclude that more than one position meets the realistic possibility standard.

SPECIFIC ILLUSTRATIONS

.12 The following illustrations deal with general fact patterns. Accordingly, the application of the guidance discussed above to variances in such general facts or to particular facts or circumstances may lead to different conclusions from those expressed here. In each illustration there is no authority other than that indicated.

Illustration 1. The CPA's client has engaged in a transaction that is adversely affected by a new statutory provision. Prior law supported a position favorable to the client. The client believes, and the CPA concurs, that the new statute is inequitable as applied to the client's situation. The statute is clearly drafted and unambiguous. The committee reports discussing the new statute contain general comments that do not specifically address the client's situation.

The CPA should recommend the return position supported by the new statute. A position contrary to a clear, unambiguous statute would ordinarily be a frivolous position.

Illustration 2. The facts are the same as in illustration 1 except that the committee reports discussing the new statute specifically address the client's situation with a position favorable to the client.

If the statute is clear and unambiguous against the taxpayer's position, but a contrary position exists based on the committee reports specifically addressing the client's situation, return positions based on either the statutory language or the legislative history satisfy the realistic possibility standard.

Illustration 3. The facts are the same as in illustration 1 except that the committee reports can be read to provide some evidence or authority to support the taxpayer's position, but the legislative history does not specifically address the situation.

In a case where the statute is clear and unambiguous, a contrary position based on an interpretation of committee reports that do not explicitly address the client's situation does not meet the realistic possibility standard. However, since the committee reports provide some support or evidence for the taxpayer's position, such a return position is not frivolous. The CPA may recommend the position to the client if it is adequately disclosed on the tax return.

Illustration 4. A client is faced with an issue involving the interpretation of a new statute. Following passage, it was broadly recognized that the statute contained a drafting error and a technical correction proposal has been introduced. The Internal Revenue Service (IRS) issues an announcement indicating how it will administer the provision. The IRS pronouncement interprets the statute in accordance with the proposed technical correction.

Return positions based on either the existing statutory language or the IRS pronouncement satisfy the realistic possibility standard.

Illustration 5. The facts are the same as in illustration 4 except that no IRS pronouncement has been issued.

In the absence of an IRS pronouncement interpreting the statute in accordance with the proposed technical correction, only a

return position based on the existing statutory language will meet the realistic possibility standard. A return position based on the technical correction proposed may be recommended if it is adequately disclosed, since it is not frivolous.

Illustration 6. A client is seeking advice from a CPA regarding a recently amended Code section. The CPA has reviewed the Code section, committee reports that specifically address the issue, and a recently published IRS Notice. The CPA has concluded in good faith that, based upon the Code section and the committee reports, the IRS's position as stated in the Notice does not reflect congressional intent.

The CPA may recommend the position supported by the Code section and the committee reports since it meets the realistic possibility standard.

Illustration 7. The facts are the same as in illustration 6 except that the IRS pronouncement is a temporary regulation.

In determining whether the position meets the realistic possibility standard, the CPA should determine the weight to be given the regulation by analyzing factors such as whether the regulation is legislative, interpretative or inconsistent with the statute. If the CPA concludes the position does not meet the realistic possibility standard, the position may nevertheless be recommended if it is adequately disclosed, since it is not frivolous.

Illustration 8. A tax form published by the IRS is incorrect, but completion of the form as published provides a benefit to the client. The CPA knows that the IRS has published an announcement acknowledging the error.

In these circumstances, a return position in accordance with the published form is a frivolous position.

Illustration 9. The client wants to take a position that the CPA has concluded is frivolous. The client maintains that even if the return is examined by the IRS, the issue will not be raised.

The CPA should not consider the likelihood of audit or detection in determining if the realistic possibility standard is met. The CPA should not prepare or sign a return that contains a frivolous position even if it is disclosed.

Illustration 10. Congress passes a statute requiring the capitalization of certain expenditures. The client believes, and the CPA concurs, that in order to comply fully the client will need to acquire new computer hardware and software and implement a number of new accounting procedures. The client and the CPA agree that the costs to comply fully are significantly greater than the resulting increase in tax due under the new provision. Because of cost considerations, the client makes no effort to comply. The client wants the CPA to prepare and sign a return on which the new requirement is simply ignored.

The return position desired by the client is frivolous, and the CPA should neither prepare nor sign the return.

Illustration 11. The facts are the same as in illustration 10 except that the client has made a good faith effort to comply with the law by calculating an estimate of expenditures to be capitalized under the new provision.

In this situation, the realistic possibility standard is met. When using estimates in the preparation of a return, the CPA should refer to SRTP (1988 Rev.) No. 4, "Use of Estimates."

Illustration 12. On a given issue, the CPA has located and weighed two authorities. The IRS has published its clearly enunciated position in a Revenue Ruling. A court opinion is favorable to the client. The CPA has considered the source of both authorities and has concluded that both authorities are persuasive and relevant.

The realistic possibility standard is met with regard to either position.

Illustration 13. A tax statute is silent on the treatment of an item under such statute. However, the committee reports explaining the statute direct the IRS to issue regulations that will require specified treatment of this item. No regulations are issued at the time the CPA must recommend a position on the tax treatment of the item.

The CPA may recommend the position supported by the committee reports since it meets the realistic possibility standard.

Illustration 14. The client wants to take a position that the CPA concludes meets the realistic possibility standard based on an assumption regarding an underlying nontax legal issue. The CPA

recommends that the client seek advice from his or her legal counsel, and the client's attorney opines on the nontax legal issue.

A legal opinion on a nontax legal issue may, in general, be relied upon by the CPA. The CPA must, however, use professional judgment when relying on a legal opinion. If on its face, the opinion of the client's attorney appears to be unreasonable, unsubstantiated, or unwarranted, the CPA should consult his or her attorney before relying on the opinion.

Illustration 15. The client has obtained from his or her attorney an opinion on the tax treatment of an item and requests that the CPA rely on the opinion.

The authorities on which a CPA may rely include well-reasoned sources of tax analysis. If the CPA is satisfied as to the source, relevance, and persuasiveness of the legal opinion, then the CPA may rely on the opinion when determining whether the realistic possibility standard is met.

STATE REVENUE DEPARTMENT LISTING

NOTES

Alabama

Department of Revenue
Income Tax Forms
P.O. Box 327460
Montgomery, Alabama 36132-7460
(205) 242-1000

Alaska

Department of Revenue
State Office Building
P.O. Box 110420
Juneau, AK 99811
(907) 465-2320

Arizona

Department of Revenue
Attention: Forms
1600 West Monroe Street
Phoenix, AZ 85007-2650
(602) 542-4260

Arkansas

Department of Finance and Administration
Revenue Division
P.O. Box 3628
Little Rock, AR 72203
(501) 682-7255

California

Franchise Tax Board
Tax Forms Request
P.O. Box 307
Rancho Cordova, CA 95741-0307
(916) 635-8023

Colorado

Department of Revenue
1375 Sherman Street
Denver, CO 80261
(303) 534-1208

Connecticut

Department of Revenue Services
State Tax Department
92 Farmington Ave.
Hartford, CT 06105
(203) 566-8520

Delaware

Department of Finance
Division of Revenue
Delaware State Building
820 N. French Street
Wilmington, DE 19801
(302) 577-3300

Florida

Department of Revenue
Supply Department
Carlton Building
Tallahassee, FL 32399-0100
(904) 488-6272

Georgia

Income Tax Unit
Department of Revenue
Trinity-Washington Building
Atlanta, Ga 30334
(404) 656-4293 or 4071

Hawaii

First Taxation District
830 Punch Bowl Street
P.O. Box 259
Honolulu, HI 96809
(808) 587-1660

Idaho

State Tax Commission
P.O. Box 36
Boise, ID 83722
(208) 334-3660

Illinois

Illinois Department of Revenue
P.O. Box 19010
Springfield, IL 62794-9010
(217) 782-3336

Indiana

Indiana Department of Revenue
100 N. Senate Avenue
Indianapolis, IN 46204
(317) 232-2189

Iowa

Iowa Department of Revenue and Finance
Taxpayer Services Section
Hoover State Office Building
Des Moines, IA 50319
(515) 281-3114

Kansas

Department of Revenue
Division of Taxation
Taxpayer Assistance Bureau
P.O. Box 12001
Topeka, KS 66612-2001
(913)296-0222

Kentucky

Revenue Cabinet
Property and Mail Service
859 East Main Street
Frankfort, KY 40620
(502) 564-3658

Louisiana

Department of Revenue
P.O. Box 201
Baton Rouge, LA 70821
(504) 925-7532

Maine

Bureau of Taxation
Income Tax Division
State Office Building
Station 24
Augusta, ME 04333
(207) 289-3695

Maryland

Comptroller of the Treasury
Income Tax Division
State Income Tax Building
Annapolis, MD 21411
(301) 974-3117

Massachusetts

Massachusetts Department of Revenue
Taxpayer Assistance Bureau
100 Cambridge Street
Boston, MA 02204
(617) 727-4545

Michigan

Michigan Department of the Treasury
Revenue Administrative Services
430 West Allegan
Treasury Building
Lansing, MI 48933
(517) 373-3200

Minnesota

Minnesota Department of Revenue
Mail Station 4450
St. Paul, MN 55146
(612) 296-3781

Mississippi

Mississippi State Tax Commission
P.O. Box 960
Jackson, MS 39205
(601) 359-1141

Missouri

Tax Administration Bureau
P.O. Box 2200
Jefferson City, MO 65105-2200
(314) 751-3505

Montana

Montana Department of Revenue
Income Tax Division
P.O. Box 5805
Helena, MT 59604
(406) 444-2981

Nebraska

Nebraska Department of Revenue
Box 94818
Lincoln, NE 68509-4818
(402) 471-2971

Nevada

Department of Taxation
Capitol Complex
1340 South Curry Street
Carson City, NV 89710
(702) 687-4820

New Hampshire

Department of Revenue Administration
State of New Hampshire
61 South Spring Street
Concord, NH 03302
(603) 271-2191

New Jersey

Division of Taxation
50 Barrack Street - CN240
Trenton, NJ 08646
(609) 292-5185

New Mexico

Taxation and Revenue Department
Revenue Division
P.O. Box 630
Santa Fe, NM 87504-0630
(505) 827-0700

New York City

NYC Department of Finance
Bureau of Tax Collection
P.O. Box 3900
Church Street Station
New York, NY 10008
(718) 935-6739 or 6000

New York State

Department of Taxation and Finance
Taxpayer Service Bureau
W. Averell Harriman Campus
Albany, NY 12227
(518) 457-2772

North Carolina

NC Department of Revenue
P.O. Box 25000
Raleigh, NC 27640
(919) 733-3991

North Dakota

Office of State Tax Commissioner
State Capitol
600 East Boulevard Avenue
Bismark, ND 58505-0599
(701) 224-3450

Ohio

Department of Taxation
Income Tax Division
P.O. Box 2476
Columbus, OH 43266
(614) 433-7750

Oklahoma

Oklahoma Tax Commission
Income Tax Division
2501 Lincoln Blvd.
Oklahoma City, OK 73194
(405) 521-3108

Oregon

Oregon Department of Revenue
955 Center Street, N.E.
Salem, OR 97310
(503) 378-4988

Pennsylvania

Commonwealth of Pennsylvania
Department of Revenue
Strawberry Square
Harrisburg, PA 17128
(717) 787-8201

Rhode Island

Rhode Island Division of Taxation
1 Capitol Hill
Providence, RI 02908
(401) 277-3934

South Carolina

South Carolina Tax Commission
Individual Income Tax Division
P.O. Box 125
Columbia, SC 29214
(803) 737-5000

South Dakota

Department of Revenue
700 Governors Drive
Pierre, SD 57501-2291
(605) 773-3311

Tennessee

Department of Revenue
Andrew Jackson State Office Building
Room 807
500 Deaderick Street
Nashville, TN 37242
(615) 741- 3133

Texas

Comptroller of Public Accountants
State of Texas
111 East 17th
Austin, TX 78711
(512) 463-4600

Utah

Utah State Tax Commission
160 E. 300 S. Heber Wells Building
Salt Lake City, UT 84134
(801) 530-6306

Vermont

Vermont Department of Taxes
Pavilion Office Building
Montpelier, VT 05602
(802) 828-2515

Virginia

Department of Taxation
Taxpayers Assistance
P.O. Box 1115
Richmond, VA 23208-1115
(804) 367-8031

Washington

Department of Revenue
General Administration Building
P.O. Box 47462
Olympia, WA 98504-7450
(206) 753-5540

Washington, DC

Government of District of Columbia
Department of Finance and Revenue
Room 2053
300 Indiana Avenue, N.W.
Washington, DC 20001
(202) 727-6104 or 6105

West Virginia

State Tax Department
Taxpayer Service Division
P.O. Box 3784
Charleston, WV 25337-3784
(304) 558-3333

Wisconsin

Wisconsin Department of Revenue
P.O. Box 8903
Madison, WI 53708-8903
(608) 266-1961

Wyoming

The State of Wyoming
Secretary of State
Capitol Building
Cheyenne, WY 82002
(307) 777-7378

Puerto Rico

Commonwealth of Puerto Rico
Department of the Treasury
Internal Revenue Collections Area
Bureau of Income Tax
P.O. Box 2501
San Juan, PR 00902-2501
(809) 766-5040

SAMPLE IRS CORPORATE AUDIT FORMAT

INTRODUCTION

The following questions are samples of those that may be asked during the interview and examination process of tax returns. They are not intended to be all inclusive. Tax examiners for the Internal Revenue Service are encouraged to use their own judgment. As a result, the scope of their examination may be expanded depending on the responses to these general questions. The purpose of these sample questions is to assist in the preparation for an examination. It is advisable that the tax practitioner determine the intent of the questions and prepare accordingly.

SAMPLE IRS CORPORATE AUDIT FORMAT

I. AGENT'S NOTIFICATION TO TAXPAYER/REPRESENTATIVE

Appeal Rights (Pub 1)
Privacy Act Notice (Pub 609)

II. INFORMATION THE REVENUE AGENT MAY REQUEST FROM THE TAXPAYER/REPRESENTATIVE

GENERAL:

Tax returns previously audited and results
Telephone numbers of corporate office and representative office
Properly executed Power of Attorney
Verification of TIN per return
Verification of address per return
Name of tax return preparer and fee charged
Extent services provided by preparer
Copies of tax returns from open tax years not under audit
Copies of externally and internally prepared financial statements
Copies of most recent IRS determination letter for all qualified retirement plans
Copies of any amendments or tentative carrybacks filed in the last three years
Corporate minute book and stock records
Currency Transaction Reports (Form 8300)

CORPORATE OFFICER(S) AND SHAREHOLDERS(S):

Name(s)
Title(s)
Ownership %(s)
Recent changes in ownership
Copies of shareholder(s) individual tax returns for period under audit
S-Corporation shareholder basis computations.

III. QUESTIONS THE REVENUE AGENT MAY ASK THE TAXPAYER/REPRESENTATIVE

RELATED ENTITIES:

Does the corporation own stock in any other closely held corporation(s)?
Do any shareholders own stock in any other closely held corporations(s)?
Does the corporation own an interest in any other closely held business entity (e.g. partnerships and joint ventures)?

BUSINESS HISTORY:

- What are the business activities of the corporation?
- How long has the corporation been in operation?
- When was the corporation formed - was it a new business or was it a continuation of a business conducted in another form?
- What was contributed to capital at incorporation?
- What are the duties of each officer and shareholder?
- Does the corporation conduct operations at any location other than the address on the return? If yes, describe.
- Have there been any unusual or extraordinary events during the last three years (e.g. reorganizations, acquisitions or dispositions, decline in income due to casualty, loss of prime supplier or customers, or other economic business conditions)?
- Does the corporation anticipate any significant expansion or addition of capital improvements?
- Has there been a major expansion or remodeling of the corporate building and/or facilities in recent years?
- Are there any legal actions pending against the corporation?
- What is the corporation's policy relative to dividends?
- Has the corporation engaged in any bartering activity?
- Did the corporation pay any kickbacks either directly or indirectly?

CORPORATE TRANSACTIONS:

- Are sales cyclical?
- Who are the corporation's major suppliers?
- Who are the corporations's major customers?
- Does the corporation extend credit? If so, what are the terms?
- Does the corporation offer discounts? If so, how are they recorded?
- Does the corporation purchase goods on credit?
- Does the corporation normally take advantage of discounts? If so, how are they recorded?
- Did the corporation sell any assets during the year under examination?
- Are all fixed assets shown on the corporate books still in service? If not, what was the disposition of the asset(s)?

PAYROLL AND RELATED:

- What are the company's payroll procedures (e.g. separate bank account, outside agency)?
- How is the compensation of the officers and shareholders determined?
- What method(s) of compensation does the corporation use (e.g. salary, bonus, commission)?

What is the company's policy relative to bonuses?
How many full time and part time employees does the corporation employ?
Have any employees performed personal services for any officers or shareholders?
To what extent does the corporation use contract labor?
Have all required information returns been filed?
Are any immediate family members or close relatives of the officers or shareholders employed by the corporation?
What fringe benefits are provided to the employees (e.g. health insurance, life insurance, reimbursed travel and moving expense, discount on purchases, profit sharing plan, 401(K) or other retirement plan qualified or unqualified, medical reimbursement plan, other)?
Do the fringe benefits provided to the rank and file employees differ from those provided for shareholders and officers?
Has the corporation filed all required retirement plan returns?
Has the corporation filed all applicable federal employment tax returns?

TRAVEL AND ENTERTAINMENT:

What is the company's policy regarding travel and entertainment reimbursement?
Does the corporation provide shareholders, officers, and/or related family members with any of the following:

- Credit cards?
- Club dues?
- Club memberships?

VEHICLES:

Does the corporation own or lease any automobiles, trucks, R.V.s, airplanes, boats, or other vehicles?
How are these vehicles used in the business?
Are vehicle usage logs maintained?
Does the corporation restrict the use of these vehicles?
How does the corporation account for personal use of company vehicles?
Does the corporation own any trucks that are subject to the highway use tax?

BANKING

Where does the corporation maintain bank accounts (e.g. checking, savings, certificates of deposit, foreign accounts, money market investments)?
What is the purpose of each account?
What loans were outstanding during the tax year? Describe the purpose(s), terms, and activity for each.

INVENTORY:

What method of valuation does the corporation use?
If required, is the corporation in compliance with Section 263A?
How often is physical inventory taken and by whom?
Does the corporation maintain perpetual inventory records?
Is the cost system integrated into the accounting system?
Do any employees, officers, or shareholders make personal withdrawals from inventories?
To what extent is the company's inventory insured and with whom?
Does the company utilize receiving reports?
How are returned goods handled?
What was the basis for the write down of the company's inventory?
What length of time does it take to process goods from start to finish?

ACCOUNTING SYSTEM:

What type of books and records are maintained (e.g. general ledger, journals, subsidiaries, etc.)?
Who is responsible for the following activities:

- General bookkeeping?
- Cash receipts?
- A/R?
- A/P?
- Recording sales?
- Purchases?

Who is responsible for writing and endorsing checks? Are multiple signatures required?
What method of accounting is used?
Has there been a change in the company's accounting method within the last three years?

INTERNAL CONTROLS:

How are cash sales handled?
Who opens the mail?
Who reconciles the corporate bank accounts?
Who makes the deposits?
How often are deposits made?
What percentage of receipts are deposited?
Does the corporation keep any large amounts of cash on hand?

What percentage of the company's income is received in each of the following forms:

- Checks?
- Cash?
- Charges?
- Other?

At what point are company sales recorded (e.g. date ordered, date invoice cut, date shipped)?

How is a sale accounted for from initial contact with the customer through completion of the transaction?

How does the company record returns and allowances? Are debit memorandums issued?

Does the company maintain a petty cash fund? If yes,

- What is the normal balance in this fund?
- What type of disbursements are made from the fund?
- Who approves expenditures?
- How is the fund replenished?

How does the corporation record the expenses it incurs through payment?

Does the corporation make any cash expenditures?

What does the company do with voided checks?

What is the corporation's policy with regard to ageing accounts receivable?

What is the company's policy regarding the write off of uncollectible accounts?

Does the corporation have any scrap sales?

Who authorizes the purchase of major items?

What is the corporate policy for expensing vs. capitalizing items?

Did the corporation record any liabilities which were contingent on some future event?

What cut off procedures does the corporation perform at year end regarding accounts receivable, accounts payable, and inventory?

RELATED PARTY TRANSACTIONS:

Did the corporation have any transactions with a corporate shareholder, officer, or family member?

Did the corporation distribute any assets or liabilities to a corporate shareholder, officer or family member?

Were there any loans or advances to or from a corporate shareholder, officer, or family member? If yes,

- Is there a signed note?
- What interest rate was charged?
- What repayments have been made?

If there were any loans or advances to or from any related entity, were the transactions handled at arms-length?

Are personal funds of shareholders and officers kept separate from corporate funds?

MINUTE BOOK:

Is a corporate minute book maintained? If so,

- Is it up to date?
- Who is responsible for updating?

Are officers' compensation and bonuses approved in the minutes?

Are loans properly considered and approved in the minutes?

Do the minutes address employee bonuses?

Do the minutes address company expansion?

OTHER QUESTIONS:

Does the tax return include all income earned by the corporation?

After having had time to review the return since contacted by the IRS, is the taxpayer/representative aware of any additional deductions, erroneous deductions or any omissions of income contained therein?

If this is an S-Corporation, which shareholders meet the material participation requirements?